ANNUAL REPORT 1999

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

BRITISH COLUMBIA MUNICIPAL FINANCE AUTHORITY

100-04348

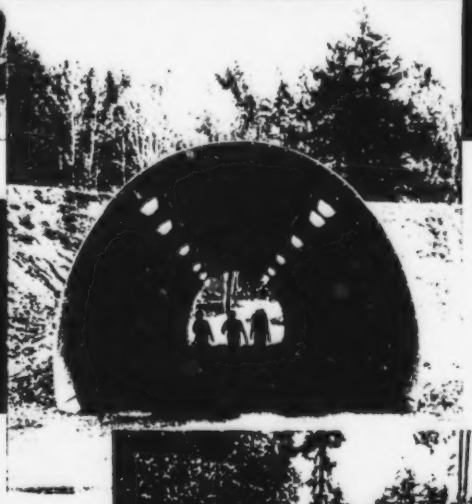
CEDAR TRAIL SYSTEM / LANGFORD

SEWAGE TREATMENT PLANT / SUMMERLAND

MFA 1999

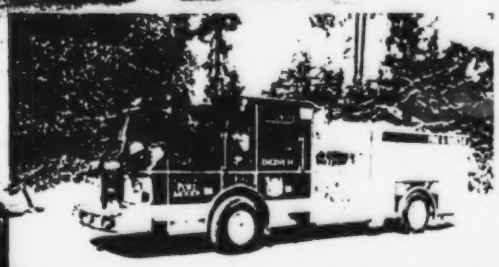
1999 MFA BOARD MEMBERS

The variety of projects undertaken by BC municipalities typifies the uniqueness of each community



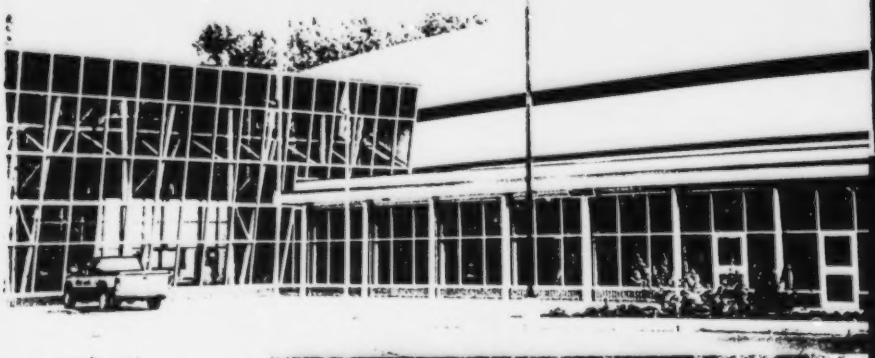
HIGHWAY 3B UNDERPASS / ROSSLAND

FIRE HALL AND EMERGENCY OPERATIONS CENTRE / MISSION



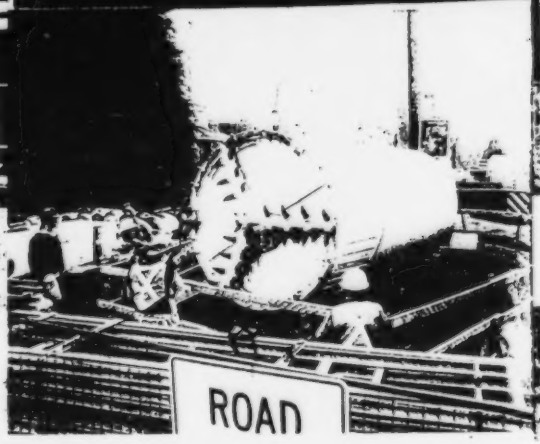
FIRE AND RESCUE UNIT 1-1 / PORT MOODY

BUILDING BC IN THE 90'S



COMMUNITY COMPLEX / LAKE COUNTRY

WATER TREATMENT PLANT / ROSSLAND

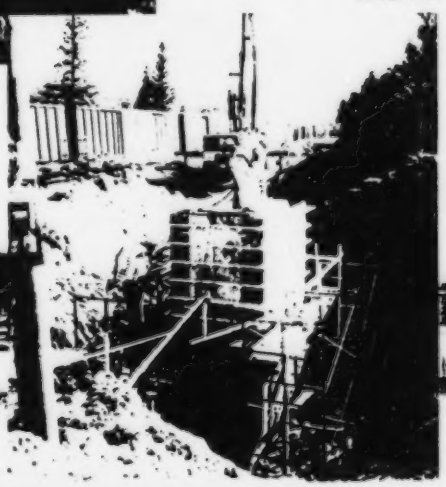


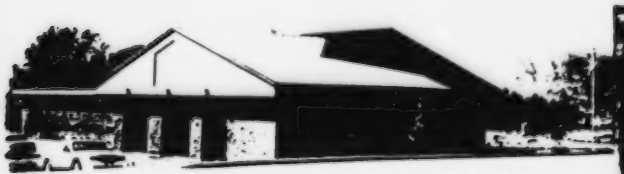
HARTLAND LANDFILL / CAPITAL REGIONAL DISTRICT

COMMUNITY COMPLEX ENTRANCE / LAKE COUNTRY

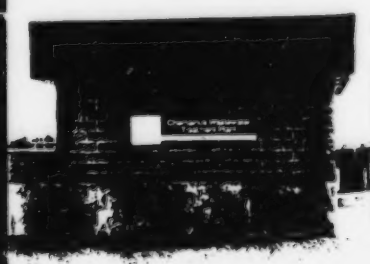
ARCHITECT'S RENDERING AND ▶ RIBBON CUTTING, RCMP BUILDING / CASTLEGAR

WATER AND SEWER INFRASTRUCTURE / WILLIAMS LAKE





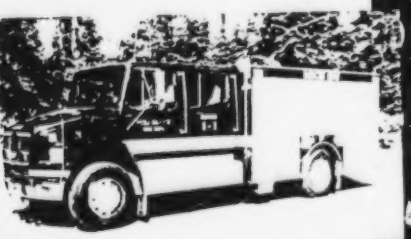
RCMP SECURITY BUILDING / CRESTON



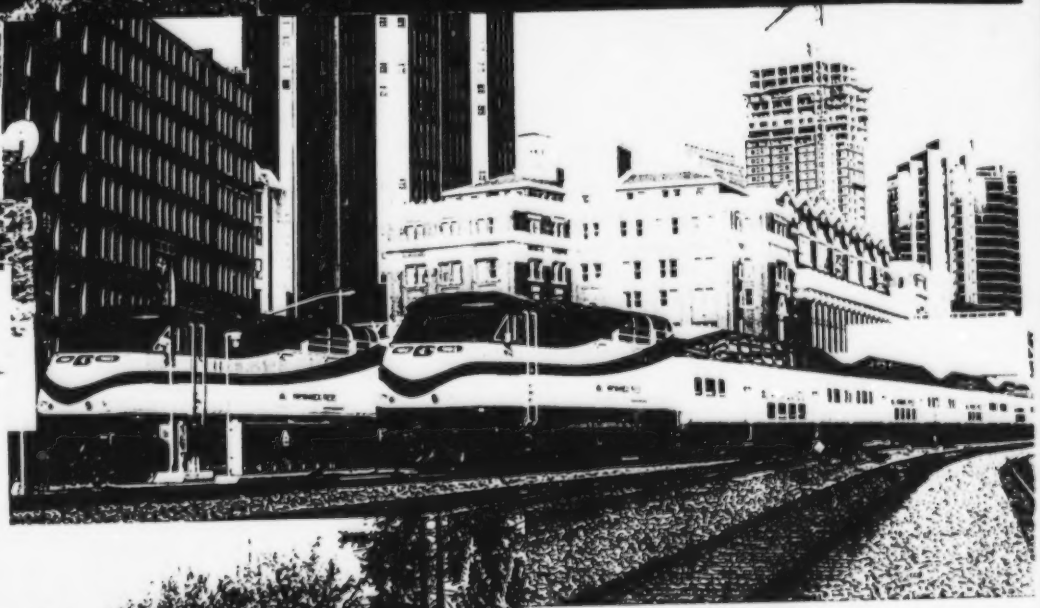
WASTEWATER TREATMENT PLANT / CHEMAINUS

Community recreation complexes, water treatment plants, sewer upgrades, sanitary landfill sites, community emergency and safety buildings and transportation concerns are all represented in this montage of photos.

GRAVITY SEWER MAIN CONSTRUCTION / NEW WESTMINSTER

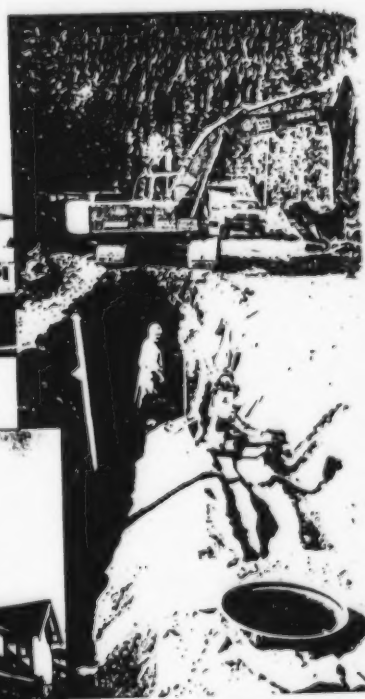


FIRE / RESCUE UNIT PORT MOODY



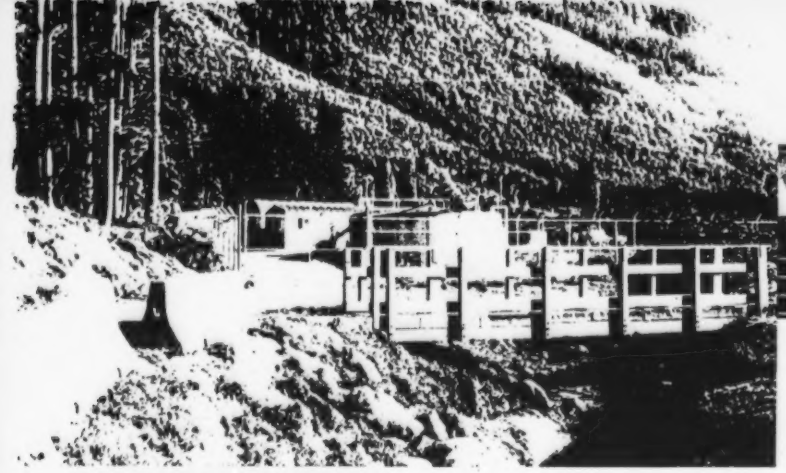
WEST COAST EXPRESS / GVTA

PUBLIC WORKS BUILDING / ESQUIMALT

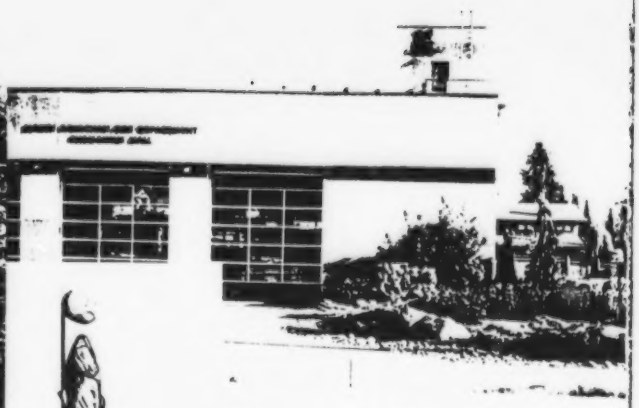


CURRIE ROAD PUMPING STATION / OAK BAY

SOUTH LAKESIDE WATER AND SEWER INFRASTRUCTURE / WILLIAMS LAKE



SEWER TREATMENT PLANT / PORT ALICE



FIREHALL, RCMP AND
PROVINCIAL AMBULANCE /
NORTH COWICHAN

CEDAR HILL RECREATION CENTRE / SAANICH

COMMONWEALTH PLACE / SAANICH

TRUNK SEWER /
CAPITAL REGIONAL DISTRICT

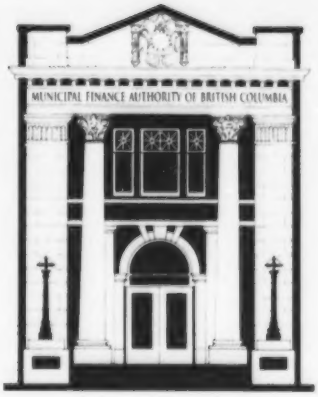
THRUST BORE UNDER SOOKE HIGHWAY /
CAPITAL REGIONAL DISTRICT

OFTON WASTE
ATER PLANT /
ORTH COWICHAN

DOWNTOWN REVITALIZATION / GIBSONS

Municipal Finance Authority of British Columbia

737 Fort Street, Victoria, BC V8W 2V1 Canada
Telephone (250) 383-1181 Fax (250) 384-3000
E-mail: mfa@mfa.bc.ca
Web Site: www.mfa.bc.ca



mfa-bc

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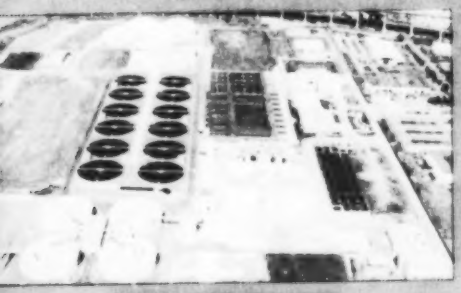
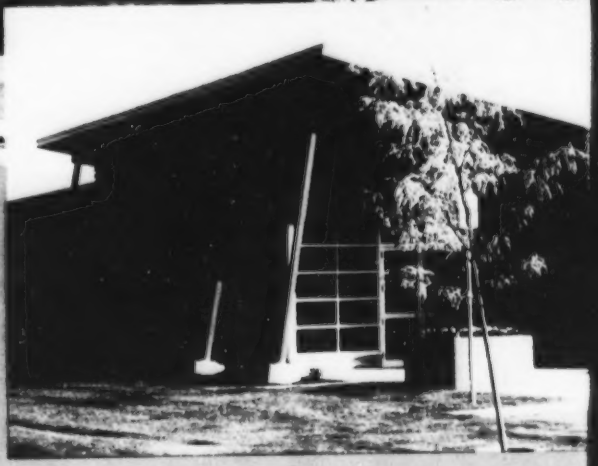
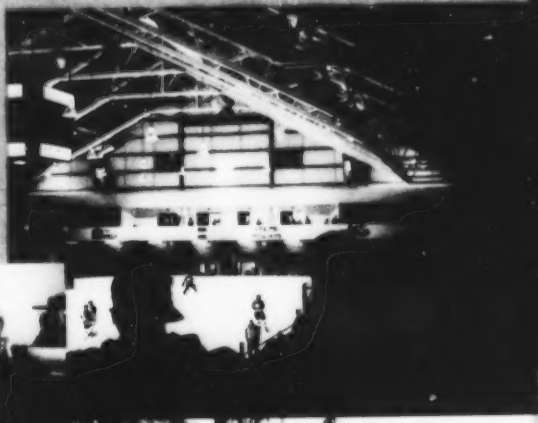
COVER: Girl on water slide, Trail Aquatic and Leisure Centre



ANNACIS ISLAND WASTEWATER
TREATMENT PLANT



BUILDING BC IN THE 90'S



CIVIC ARENA /
SALMON ARM

Financial Highlights

THOUSANDS OF DOLLARS

AS AT DECEMBER 31	1999	1998
CAPITAL FINANCING		
Total assets — combined funds	**4,050,130**	2,941,502
Loans to Members outstanding	**2,702,045**	1,988,013
Long-term debt outstanding	**3,176,964**	2,270,001
Sinking funds due bondholders	**27,802**	51,231
Long-term debt, net of sinking funds	**3,149,162**	2,218,770
Debt Reserve Fund	**280,900**	232,819
Investments (including sinking funds)	**1,086,397**	779,483
YEAR ENDED DECEMBER 31		
New loans to Members	**921,302**	391,500
Loan Repayments from Members	**201,930**	154,149
New debt issued (including transfers from Province)	**1,076,759**	422,642
Debt retired	**169,483**	195,969
Investment income	**61,383**	56,596
Interest paid	**259,190**	189,153
POOLED INVESTMENTS		
Money Market Fund — Unitholders' Equity	**478,519**	445,639
Intermediate Fund — Unitholders' Equity	**53,022**	91,670
Bond Fund — Unitholders' Equity	**127,546**	162,757
INTERIM FINANCING		
Loans outstanding	**129,680**	71,481

Members and Officers 1999

MEMBER	REGIONAL DISTRICT
D. Brett	*Alberni-Clayoquot*
T. Euverman	*Bulkley-Nechako*
F. Leonard	*Capital*
D. Amos	*Capital*
G. Sehn	*Cariboo*
G. Wells	*Central Coast*
H. Cunningham	*Central Kootenay*
R. Hobson	*Central Okanagan*
G. Battersby	*Columbia Shuswap*
D. Andrews	*Comox-Strathcona*
M. Coleman	*Cowichan Valley*
J. Ogilvie	*East Kootenay*
C. Kinsley	*Fraser-Fort George*
J. Les	*Fraser Valley*
L. Traboulay	*Greater Vancouver*
D. Bell	*Greater Vancouver*
D. Drummond	*Greater Vancouver*
J. Loucks	*Greater Vancouver*
D. McCallum	*Greater Vancouver*
C. Percival-Smith	*Greater Vancouver*
L. Rankin	*Greater Vancouver*
H. Staub	*Greater Vancouver*
J. Talstra	*Kitimat-Stikine*
A. Hennig	*Kootenay Boundary*
G. Furney	*Mount Waddington*
J. Stanhope	*Nanaimo*
E. Shipmaker	*North Okanagan*
D. Gray	*Northern Rockies*
R. Mayer	*Okanagan-Similkameen*
J. Judge	*Peace River*
L. Emmonds	*Powell River*
J. Mussallem	*Skeena-Queen Charlotte*
S. Gimse	*Squamish-Lillooet*
R. Morgan	*Thompson-Nicola*

BOARD OF TRUSTEES

Chair
L. Traboulay

Vice Chair
F. Leonard

Trustees

D. Bell
M. Coleman
C. Kinsley
G. Furney
J. Les
J. Loucks
C. Percival-Smith
J. Mussallem

OFFICERS

Executive Director
J. R. Craven

Director of Finance
S. A. Berna

Director of Corporate Services
B. Mouner

AUDITORS

KPMG LLP, Victoria, B.C.

SOLICITORS

Bond & General Counsel
Bryant & Co.
Victoria, B.C.

Alternate Bond Counsel
Farris, Vaughan, Wills & Murphy
Vancouver, B.C.

BOARD OF TRUSTEES: *left to right, back row*; Colin Kinsley, John Les, Jack Mussallem, Corisande Percival-Smith, Don Bell, Gerry Furney
front row; Frank Leonard, Len Traboulay, Jack Loucks, Michael Coleman

LEN TRABOULAY

Message from the Chair, 1999

To the Members of the
Municipal Finance Authority of British Columbia

I am pleased to report that the Authority has broken all past records in our investment pooling and interim financing programs this year. We have had an equally active year in our core business of long term capital borrowing.

The revenues flowing from all these programs have exceeded the expectations of last year's budget by approximately 50%; as a result, user fees account for 95% of our revenue. Taxation has now dropped to only 5% of our overall revenue base. For comparison taxation in 1983 was 85%.

As a result of this welcome success we have paid off the mortgage on our office building three years early. (Figure 1)

In the Spring of 1999, MFA launched a $100 million, 10 year domestic issue with a re-lending rate of 5.49%. We added to this issue in October by re-opening with a further $260 million, bringing the total size of the debenture issue to $360 million - currently the MFA's largest issue.

The Authority's Trustees and staff worked together with our clients' elected officials and Treasurers using financial products to reduce risk and add certainty to their debt costs. Our use of bond futures in a volatile market saved $468,000 per annum in interest costs for our Fall Issue. Our clients experienced material savings also.

The MFABC has received a substantial amount of attention over the last decade because we provide a new model for local government. This 'new model' contracts out, keeps staff small and returns in each year a dividend larger than its tax levy. In 1999 the Authority was asked by the Union of Quebec Municipalities to look into Quebec Local Government

FIGURE 1

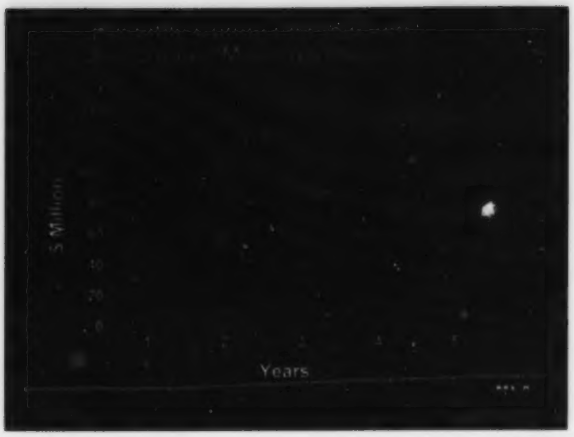


FIGURE 2

Financing, Leasing and Investment practices to see if some of our practices could be applied to that Province. After some discussion about the most appropriate way to carry out this study the partners agreed the Authority would partner with KPMG LLP Montreal. We had several meetings with KPMG LLP and the joint study was produced. The result as calculated by KPMG LLP: Local Government in Quebec could save approximately $135 million over 5 years by adopting the MFABC model. (Figure 2)

After being invited to Bergen, Norway in June of 1999, we were also asked to speak in Berlin in March 2000 on "Innovations in Local Government - North America". We were also called in by the Finance Ministry of Ontario to present an afternoon workshop on the merits of a collective credit for the School Districts of Ontario. Shortly after our training sessions a number of Ontario School Boards near Toronto did a collective debt issue which was well received by the market.

This year our Executive Director, Jim Craven, was honoured by being awarded the 1999 B.C. Lieutenant-Governor's Medal for Excellence in the Public Sector. The B.C. municipal community turned out in force to acknowledge Jim's work and we have included photos of this evening of celebration in this report.

This year's report covers much more than the activities of 1999. This year we are going back to 1971, our year of incorporation. We felt it was time to honour the late Dan Campbell, Minister of Municipal Affairs during 1964 to 1972. At that time Regional Districts, instant towns and the MFABC were created. No doubt some of you old timers will enjoy looking at the MFABC scenes of the seventies.

The MFA Education Fund, ably chaired by Jerry Berry, City Manager of Nanaimo, disbursed $30,700 in 1999 to update municipal officer training curriculums at the University of Victoria, Camosun and Capilano Colleges.

In addition the fund disbursed $20,000 to the Union of B.C. Municipalities for newly elected seminars during January and February of 2000.

We would like to thank Phillips, Hager & North, Royal Trust and the Municipal Officers' Association again for their monetary contribution to the Education Fund which MFABC created in 1998. Our staff have also been active as trainers in the "newly elected" seminars, explaining how the MFA works for the citizens of British Columbia.
(Figures 3 and 4)

As a result of low management costs and effective investing strategies our investment pools have again exceeded both the three year and the one year rates of all Canadian chartered banks' mutual funds of similar types (Figure 5)

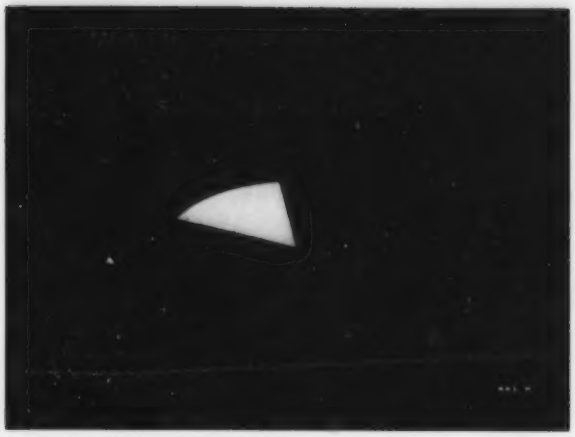


FIGURE 3

FIGURE 5

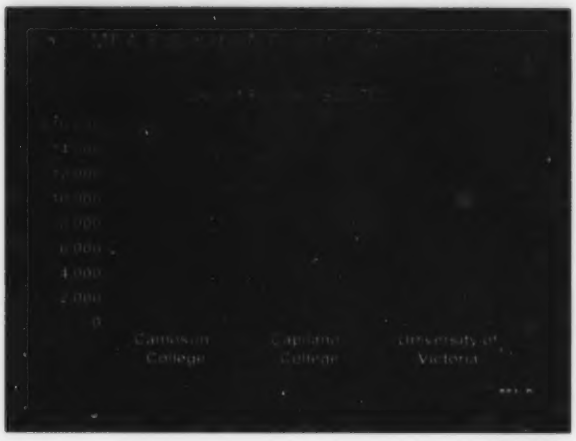


FIGURE 4

At the request of the GVRD, the Authority agreed to become the fiscal agent of the Greater Vancouver Transportation Authority (GVTA) in 1998. As part of the agreement, the GVRD swapped their regional hospital district debt for additional transit responsibilities and also received additional tax room. The lower mainland was probably the only heavily urbanized area in North America that did not have control over its own transit structure, and had long sought more control over transportation in general, and transit in particular. During 1999 the MFABC borrowed $150,000,000 for Transit purposes.

Safeguarding the highly regarded AAA rating of the Authority has been extremely helpful during this decade of change. In 1984 there were over one hundred AAA local government credits in Canada. In 1999, there are now only ten local government AAA credits left in Canada. The MFA is one of those credits as is the City of Vancouver. This extremely high rating means we can borrow more competitively on your behalf than can most provinces in Canada. An additional important point for our members to ponder is that the MFA AAA credit rating now applies to 210 separate entities within the boundaries of this Province. (Figure 6)

The good story of B.C. local government needs to be told regularly and effectively. Our careful work of reporting to credit agencies on a regular basis cannot be underestimated.

The sinking funds paid out $10.9 million in surpluses this year and stopped collection of an additional $4.1 million in loan payments which pertain to the aforesaid surpluses. The future looks even more promising. (Figure 7)

Leasing growth has pushed our year end total to approximately $32.6 million. The interim financing program also had a tremendous year, topping off at $105 million mid year. Although these programs have been hugely successful for municipalities, our private sector leasing partner lacks the volume needed to sustain his partnership with us. At the time of this report (December 1999) our staff were working to find a solution. The most obvious one would be to

FIGURE 6

FIGURE 7

extend our program to other users in the Provincial government, but this needs more study.

Our investment pool managed by Phillips, Hager & North Investment Management Ltd. performed well, posting the following returns:

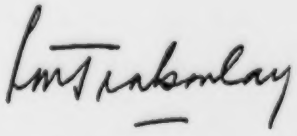
	1999	SINCE INCEPTION
Money Market Fund	4.80%	6.86%
Intermediate Fund	4.38%	5.96%
Bond Fund	2.14%	9.22%

By the end of 1999, the Authority's outstanding gross debt was $3.177 billion in Canadian funds and $1.599 million in U.S. funds. The movement to Canadian dollars is almost complete.

The types of investment securities which may be held by the Authority are regulated by the Municipal Finance Authority Act. At December 31, 1999, the total par value of the Authority's portfolio was $1,310 million which consisted of $358 million of securities of or guaranteed by the Government of Canada, $347 million of securities of or guaranteed by Provincial Governments, $511 million of securities of or guaranteed by Canadian chartered banks, $20 million of securities of British Columbia credit unions, $17 million of securities of municipal governments in Canada and $57 million of obligations of the Authority. These investments are reported in the financial statements at a combined book value of $1,086 million.

The year 1999 also marks the sixth year in a row that our operations dividend has exceeded the tax levy by 2½ times. Again in 1999 our tax levy was around $100,000 and our dividend was $250,000. Our total dividend paid since 1992 now equals $1.65 million.

Thanks to all my collegues, the Trustees of the MFABC, for another active, harmonious and productive year. Thanks also to our members who have placed their confidence in us. Finally thanks to our staff for another year of sustained creativity. Truly all of you have kept us on the leading edge of local government in North America.



LEN TRABOULAY

MANAGEMENT DISCUSSION AND ANALYSIS

The purpose of this discussion and analysis is to provide additional information to our current and prospective lenders, and should be read in conjunction with our audited financial statements.

This report is divided into two sections:

i) a recap of material events in 1999; and

ii) projections regarding future debt and our financing plan.

1999 Highlights

- Two new members in 1999 — Greater Vancouver Transportation Authority (GVTA) and Regional Hospital Districts (RHD) transferred from the Province of British Columbia their debt and sinking funds as well as their taxation and revenue streams on March 31, 1999.

	1999		
		MILLIONS OF DOLLARS	
	GROSS DEBT	INVESTMENTS	NET DEBT
GVTA	$418.8	77.9	340.9
RHD	$297.9	138.7	159.2

- Municipal Cash Reserves and Surpluses for December 31, 1998 were $3.174 billion (Figure 1).

FIGURE 1

- Debt for the Authority at December 31, 1999 was:

	1999		
		BILLIONS OF DOLLARS	
	GROSS DEBT	BOOK VALUE INVESTMENTS	NET DEBT
	$3.17	1.08	2.09

Future Borrowing

DEBT ISSUANCE

Mirroring our past strategy, the Authority will continue to launch approximately two new issues per year — one in the Spring and one in the Fall — and will focus on 10 year terms. This term of borrowing is dictated by our members' policy to shorten their term of borrowing (Figure 2).

FIGURE 2

Various other terms create the remaining percentages.

Future projection of capital borrowing is as follows:

	MILLIONS OF DOLLARS				
	2000	2001	2002	2003	2004
Estimated Borrowing	$595	500	562	510	505

After factoring in future borrowing and future maturities, the total net debt outstanding to 2007 approaches only 40% of our 1997 borrowing power (Figure 3). No increase in our property tax assessments since 1997 has been assumed in this comparison.

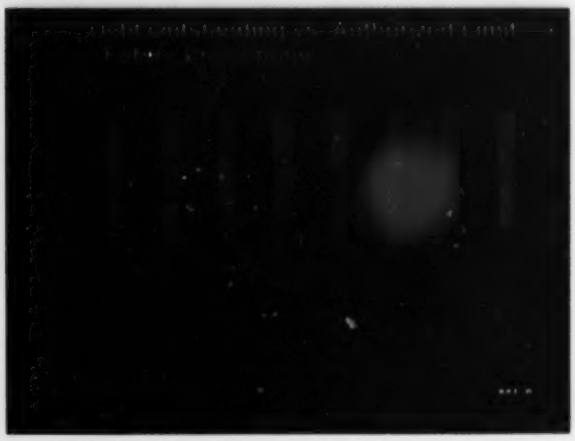


FIGURE 3

How the Municipal Finance Authority Functions

CAPITAL FINANCING

RESPONSIBILITY

The Municipal Finance Authority of British Columbia was established in 1970 by the Municipal Finance Authority of British Columbia Act, Chapter 292, Revised Statutes of British Columbia, 1979.

Regional districts and municipalities in British Columbia finance through the Authority all long-term capital requirements except those met by senior levels of government.

The City of Vancouver is the only municipality in the Province which retains the right to issue its own securities to finance capital projects. Taxable land and improvements within the City of Vancouver are, nevertheless, subject to rates levied by the Municipal Finance Authority.

REPRESENTATION

The Province of British Columbia is divided into twenty-seven regional districts, each of which is governed by a Regional Board consisting of representatives of its member municipalities and unincorporated areas.

The members of the Municipal Finance Authority are appointed by the Regional Boards; the number of members to which a regional district is entitled is based upon its population.

The executive and administrative powers and duties of the Authority are exercised and performed by a Board of Trustees consisting of the Chairman of the Authority and nine other members, elected annually. The Capital Regional District and the Greater Vancouver Regional District must be represented on the Board of Trustees.

FUNDING

When the municipalities, the utilities and the Greater Vancouver Transportation Authority (GVTA), through their respective regional districts, and the regional hospital districts and the regional districts on their own behalf (collectively known as the members), wish to finance their capital projects, they present their approved requests to the Municipal Finance Authority.

Taking into account market and economic conditions pertaining, the members of the Authority may authorize the issue and sale of securities in an amount sufficient to meet the requests.

Securities of the Authority, the proceeds of which are not to exceed the amount authorized, may then be issued at such rates and pursuant to such terms and conditions and in such markets and currencies as the Board of Trustees may determine. Under the Act, the Authority has power to provide for the creation, management and application of sinking funds or other means of securing the repayment of securities issued by the Authority, including the redemption by call of securities issued subject to redemption in advance of maturity.

A separate account is maintained for each sinking fund securities issue and moneys at the credit of a sinking fund which cannot be immediately applied toward paying the debt or discharging the obligation may be invested in:

(a) securities of the government of Canada or a province of Canada, or

(b) securities, the principal and interest of which are guaranteed by the government of Canada or by a province of Canada, or

(c) securities of a municipality or regional district in British Columbia, or of a local, municipal or regional government in another province of Canada, maturing not later than the securities for which the sinking fund was created, or

(d) investments guaranteed by a Canadian chartered bank, or

(e) deposits in, or shares or other evidences of indebtedness of, a credit union incorporated under the British Columbia Credit Union Act, or

(f) securities of the Municipal Finance Authority of British Columbia maturing not later than the securities for which the sinking fund was created.

PROTECTION FOR INVESTORS

In British Columbia, the combined credit of all the regional districts and their member municipalities, the utilities, GVTA and regional hospital districts — which together have essentially all the taxable land and improvements in the Province — stands behind the Authority's obligations.

In addition, the Authority has established a debt reserve fund into which each member sharing in the proceeds of a securities issue having a term to maturity of five years or over must contribute an amount equal to one-half the average annual instalment of principal and interest for repayment of the issue; such amount is payable to the Authority at the time of issue either in full or in an amount equal to one percent of the principal amount borrowed (the GVTA contributes two percent) with the balance secured by a non-interest bearing demand note of the regional district or regional hospital district issued to the Authority. Moneys paid into the debt reserve fund, and interest earned thereon, are obligations of the Authority to its members and must be refunded to them when the final instalments of their loans have been repaid. However, where a municipality, utility, or GVTA has discharged its obligation to a regional district with respect to a securities issue, the Authority may, during the term of the issue, repay to the regional district for the credit of the municipality, utility or GVTA a portion of the money which is an obligation to the regional district and the money so paid shall be applied to reduce that obligation.

If, at any time, the Authority lacks sufficient funds to meet principal, interest or sinking fund payments due on its obligations, it must utilize the debt reserve fund, all or any part of which is available to satisfy the Authority's obligations, regardless of the sources of the moneys in the fund. In the event that payments are made from the debt reserve fund, the Authority will recover such payments from the regional districts and regional hospital districts involved in order to restore the debt reserve fund. If the Trustees are of the opinion that payments made from the debt reserve fund will not be recovered within a reasonable period, they will levy upon all taxable land and improvements in the Province a tax sufficient to restore the fund to its

required amount. It is mandatory for the Trustees to levy such a tax when the balance in the debt reserve fund is less than fifty percent of the amount that would have been in the fund had no such payments been made. The Trustees' power to impose taxes does not require the permission or approval of any other governmental authority. Pending the receipt of such taxes, the Authority may borrow an equivalent amount to meet its obligations.

The provincial government has undertaken to assure that the debt reserve fund will be maintained in accordance with the Municipal Finance Authority Act and the Inspector of Municipalities may inspect the fund from time to time and issue a certificate that it has been maintained at the proper level.

Moneys in the debt reserve fund may be invested in:

(a) securities of the government of Canada or a province of Canada, or

(b) securities, the principal and interest of which are guaranteed by the government of Canada or a province of Canada, or

(c) deposits in, or investments guaranteed by a Canadian chartered bank, or

(d) deposits in, or shares or other evidences of indebtedness of, a credit union incorporated under the British Columbia Credit Union Act.

Such investments must mature or be callable within five years and at least twenty-five percent of the fund must be callable within ninety days.

ADDITIONAL PROTECTION FOR INVESTORS

The members financing through the Municipal Finance Authority must obtain the same provincial approvals as would be required if they were issuing their own securities. In this way, all the safeguards imposed by the Provincial Legislature on the incurring of indebtedness by the members are retained. Such safeguards include the requirement that the Inspector of Municipalities or the Ministry of Health approve the debt and user charges, if any, and other taxes to service the debt. In addition, sewer and water projects require the issuance of a certificate of self-liquidation by the Inspector of Municipalities.

Limitations on the borrowing power of a member for each function may be specified in its letters patent. The total indebtedness which a municipality may contract is limited to a percentage of the assessed value for general municipal purposes of the taxable land and improvements within the municipality and the value of the utility systems and other municipal enterprises for which the municipality has a subsisting certificate of self-liquidation granted by the Inspector of Municipalities.

POOLED INVESTMENTS

ORGANIZATION

The Municipal Finance Authority Act was amended in 1988 to extend the objects of the Authority to provide short term investment opportunity for regional districts and municipalities in British Columbia by the establishment and operation of pooled investment funds.

In 1992, the Act was further amended to extend the investment opportunity program to other public institutions (as defined) in the Province of British Columbia.

Three funds have been established, two funds commencing operations in May, 1989, while the third fund commenced operations in 1994.

PARTICIPATION

Participation in the funds by public institutions is voluntary.

INVESTMENT ACTIVITIES

The investment activities of the funds are governed by the Municipal Finance Authority Act and a charter of investment policies, objectives and guidelines.

INTERIM FINANCING

ORGANIZATION

In 1990, the Municipal Finance Authority Act was amended to add Interim Financing for regional districts and municipalities to the objects of the Authority.

In 1992, the Act was further amended to extend the Interim Financing program to other public institutions (as defined) in the Province of British Columbia.

The Short Term Debt Fund was established and commenced operations in December, 1990.

PARTICIPATION

Participation in the Interim Financing program by public institutions is voluntary.

PURPOSES FOR WHICH INTERIM FINANCING MAY BE PROVIDED

The Authority may provide financing for one or more of the following purposes:

(a) temporary financing of capital projects
(b) short term capital borrowing up to 5 years
(c) revenue anticipation borrowing
(d) temporary financing to meet current operating expenditures

POOLED LEASING

ORGANIZATION

In 1995, the Municipal Finance Authority combined Interim Financing with Pooled Leasing. The Authority is authorized to finance short term debt for purposes of a capital nature including leasing.

PURPOSES FOR WHICH FINANCING MAY BE PROVIDED FOR LEASING

All commonly leased assets from office equipment to rolling stock are eligible under the program.

PARTICIPATION

Participation in the program by municipalities and regional districts is voluntary. The program is now available to colleges and universities and may also soon be made available to school districts and hospitals.

PHOTO: DISTRICT

From left to right: Delena Patterson, Graham Egan, Margaret MacRitchie, Steve Berna
Shelley Hahn, Barb Mouner and Jim Craven

CAPITAL FINANCING

Auditors' Report 1999

TO THE MEMBERS OF THE MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

We have audited the balance sheets of the Debt Fund, Capital Repayment Equalization Fund, Debt Reserve Fund, Operating Fund and Market Development Fund (collectively, the "Capital Financing Funds") of the Municipal Finance Authority of British Columbia (the "Authority") and the combined balance sheet of these Funds as at December 31, 1999, the statements of revenue, expenditure and surplus and cash flows of each of these Funds and the combined statements of revenue, expenditure and surplus and cash flows of these Funds for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Financing Funds of the Authority as at December 31, 1999, and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Municipal Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
January 31, 2000

CAPITAL FINANCING

Balance Sheets

DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998

	COMBINED		DEBT FUND	
	1999	1998	**1999**	1998
ASSETS				
Loans to Members (Notes 2 and 3)	**$2,702,045**	1,988,013	**2,702,045**	1,988,013
Investments, net of holdings of the Authority (Notes 3 and 4)	**990,838**	652,219	**—**	—
Investments in sinking funds (Note 5)	**27,802**	51,231	**27,802**	51,231
Sinking fund assets in excess of related debt (Note 5)	**24,587**	23,582	**24,587**	23,582
Accrued interest and other receivables	**74,166**	44,727	**50,743**	33,977
Demand notes receivable from Members, without interest	**185,938**	152,502	**—**	—
Unamortized issue, discount, refunding and exchange costs	**29,506**	15,774	**29,506**	15,774
Cash	**14,319**	12,500	**675**	96
Capital assets (Note 6)	**929**	954	**—**	—
Due from Debt Fund	**—**	—	**—**	—
Due from Capital Repayment Equalization Fund	**—**	—	**541,409**	290,866
Due from Operating Fund	**—**	—	**—**	—
	$4,050,130	2,941,502	**3,376,767**	2,403,539
LIABILITIES, EQUITY AND SURPLUS				
Liabilities:				
Long-term debt (Notes 3 and 7) (Schedule)	**$3,123,290**	2,206,060	**3,176,964**	2,270,001
Due to Members (Note 8)	**280,862**	232,818	**—**	—
Accounts payable, unpresented matured debt and accrued interest payable (Note 12)	**67,494**	41,234	**67,091**	41,011
Due to sinking and other funds (Note 9)	**74,004**	35,956	**74,004**	35,956
Due to Interim Financing	**—**	512	**—**	—
Due to Debt Fund	**—**	—	**—**	—
Due to Operating Fund	**—**	—	**19**	56
Due to Market Development Fund	**—**	—	**—**	—
Due to Forest Renewal BC	**10,118**	10,142	**—**	—
Total liabilities	**3,555,768**	2,526,722	**3,318,078**	2,347,024
Equity in Capital Assets (Note 6)	**929**	486	**—**	—
Surplus, per accompanying statement	**493,433**	414,294	**58,689**	56,515
	$4,050,130	2,941,502	**3,376,767**	2,403,539

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

THOUSANDS OF DOLLARS

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		OPERATING FUND		MARKET DEVELOPMENT FUND	
1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
—	—	—	—	—	—	—	—
942,585	627,577	**91,809**	78,441	**10,118**	10,142	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
22,327	9,487	**862**	1,075	**234**	188	—	—
—	—	**185,938**	152,502	—	—	—	—
—	—	—	—	—	—	—	—
10,895	11,195	**2,291**	801	**458**	408	—	—
—	—	—	—	**929**	954	—	—
—	—	—	—	**19**	56	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	**1**	1
975,807	648,259	**280,900**	232,819	**11,758**	11,748	**1**	1
—	—	—	—	—	—	—	—
—	—	**280,862**	232,818	—	—	—	—
—	—	**38**	1	**365**	222	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	512	—	—
541,409	290,866	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	**1**	1	—	—
—	—	—	—	**10,118**	10,142	—	—
541,409	290,866	**280,900**	232,819	**10,484**	10,877	—	—
—	—	—	—	**929**	486	—	—
434,398	357,393	—	—	**345**	385	**1**	1
975,807	648,259	**280,900**	232,819	**11,758**	11,748	**1**	1

SECRETARY-TREASURER

CAPITAL FINANCING

Statements of Revenue, Expenditure and Surplus

YEAR ENDED DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998

	COMBINED		DEBT FUND	
	1999	1998	**1999**	1998
REVENUE				
Interest from loans to Members	**$ 242,654**	186,786	**—**	—
Principal from loans to Members	**—**	—	**—**	—
Transfers of interest from Capital Repayment Equalization Fund	**—**	—	**263,768**	189,544
Investment income	**61,383**	56,596	**4,463**	8,197
Management fees	**669**	745	**—**	—
Recoveries from new issues	**434**	255	**—**	—
Operating levy	**101**	101	**—**	—
Transfers from Operating Fund	**—**	—	**—**	—
Other — unused new issue expenses	**66**	55	**—**	—
Total revenue	**305,307**	244,538	**268,231**	197,741
EXPENDITURE				
Interest on long-term debt	**259,190**	189,153	**259,190**	189,153
Transfers to Debt Fund — principal from Members	**—**	—	**—**	—
Transfers to Debt Fund — interest	**—**	—	**—**	—
Amortization of issue, discount, refunding and exchange costs	**5,569**	5,037	**5,569**	5,037
Administrative	**1,360**	1,298	**—**	—
Management fees	**—**	—	**75**	103
Transfers to Market Development Fund	**—**	—	**—**	—
Allocation of net earnings to Members	**3,119**	7,644	**—**	—
Debt management and marketing	**372**	186	**—**	—
Total expenditure	**269,610**	203,318	**264,834**	194,293
Excess of revenue over expenditure for the year	**35,697**	41,220	**3,397**	3,448
Surplus at the beginning of the year	**414,294**	418,952	**56,515**	73,426
Surplus on debt issues transferred from Province (Note 3)	**63,814**	—	**—**	—
Allocations to Members (Note 10)	**(19,604)**	(45,499)	**(1,223)**	(20,359)
Appropriation of surplus to capital expenditure	**(518)**	(129)	**—**	—
Dividends paid	**(250)**	(250)	**—**	—
Surplus at the end of the year	**$ 493,433**	414,294	**58,689**	56,515

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

THOUSANDS OF DOLLARS

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		OPERATING FUND		MARKET DEVELOPMENT FUND	
1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
242,654	186,786	**—**	—	**—**	—	**—**	—
192,824	116,509	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
53,492	40,622	**3,360**	7,753	**68**	24	**—**	—
—	—	**—**	—	**1,635**	1,545	**—**	—
—	—	**—**	—	**434**	255	**—**	—
—	—	**—**	—	**101**	101	**—**	—
—	—	**—**	—	**—**	—	**150**	100
—	—	**66**	55	**—**	—	**—**	—
488,970	343,917	**3,426**	7,808	**2,238**	1,925	**150**	100
—	—	**—**	—	**—**	—	**—**	—
192,824	116,509	**—**	—	**—**	—	**—**	—
263,768	189,544	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**1,360**	1,298	**—**	—
806	619	**85**	78	**—**	—	**—**	—
—	—	**—**	—	**150**	100	**—**	—
—	—	**3,119**	7,644	**—**	—	**—**	—
—	—	**222**	86	**—**	—	**150**	100
457,398	306,672	**3,426**	7,808	**1,510**	1,398	**150**	100
31,572	37,245	**—**	—	**728**	527	**—**	—
357,393	345,288	**—**	—	**385**	237	**1**	1
63,814	—	**—**	—	**—**	—	**—**	—
(18,381)	(25,140)	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**(518)**	(129)	**—**	—
—	—	**—**	—	**(250)**	(250)	**—**	—
434,398	357,393	**—**	—	**345**	385	**1**	1

CAPITAL FINANCING

Statement of Cash Flows

YEAR ENDED DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998

	COMBINED		DEBT FUND	
	1999	1998	**1999**	1998
OPERATING ACTIVITIES				
Excess of revenue over expenditure for the year	**$ 35,697**	41,220	**3,397**	3,448
Non-cash items:	**—**	—	**—**	—
Loss (gain) on disposals of investments	**2,004**	(10,385)	**4**	(1,084)
Accretion of (discounts) premiums on investments	**(24,485)**	(15,529)	**(2,460)**	(2,394)
Amortization of issue, discount, refunding and exchange costs	**5,569**	5,037	**5,569**	5,037
Allocations of net earnings to Members	**3,119**	7,644	**—**	—
Depreciation on building	**25**	25	**—**	—
Surplus on debt issues transferred from Province	**63,814**	—	**—**	—
Allocations of surplus payments to Members	**(10,974)**	(10,401)	**—**	—
Interfund transfers	**—**	—	**(12,040)**	(6,499)
Changes in accrued interest and other receivables	**(29,439)**	(34,222)	**(16,766)**	(28,599)
Changes in accounts payable, unpresented matured debt and accrued interest payable	**26,260**	(29)	**26,080**	—
Cash provided by (applied to) operating activities	**71,590**	(16,640)	**3,784**	(30,091)
INVESTING ACTIVITIES				
Investments sold or matured	**588,896**	839,236	**26,695**	60,082
Investments purchased	**(875,934)**	(820,427)	**(5,406)**	(24,544)
Cash provided by (applied to) investing activities	**(287,038)**	18,809	**21,289**	35,538
FINANCING ACTIVITIES				
New debt issued	**360,000**	422,642	**360,000**	422,642
Debt assumed from Province of BC	**716,759**	—	**716,759**	—
Loan repayments from Members	**201,930**	154,149	**201,930**	154,149
New loans to Members	**(921,302)**	(391,500)	**(921,302)**	(391,500)
Debt retired	**(169,483)**	(195,969)	**(169,483)**	(195,969)
(Increase) in unamortized issue, discount, refunding and exchange costs	**(19,300)**	(1,032)	**(19,300)**	(1,032)
Increase (decrease) in loans from sinking and other funds	**37,424**	14,901	**38,011**	15,030
Changes in interfund balances	**—**	—	**(231,109)**	(8,789)
Contributions from Members for new loans	**16,429**	3,915	**—**	—
Contributions and earnings thereon refunded to Members	**(4,940)**	(10,482)	**—**	—
Community Bond funds transferred from Forest Renewal BC	**—**	10,000	**—**	—
Dividends paid	**(250)**	(250)	**—**	—
Cash provided by (applied to) financing activities	**217,267**	6,374	**(24,494)**	(5,469)
Increase (decrease) in cash for the year	**1,819**	8,543	**579**	(22)
Cash, beginning of the year	**12,500**	3,957	**96**	118
Cash, end of the year	**$ 14,319**	12,500	**675**	96

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

THOUSANDS OF DOLLARS

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		OPERATING FUND		MARKET DEVELOPMENT FUND	
1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
31,572	37,245	**—**	—	**728**	527	**—**	—
—	—	**—**	—	**—**	—	**—**	—
677	(5,686)	**1,323**	(3,615)	**—**	—	**—**	—
(22,318)	(13,833)	**293**	698	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
—	—	**3,119**	7,644	**—**	—	**—**	—
—	—	**—**	—	**25**	25	**—**	—
63,814	—	**—**	—	**—**	—	**—**	—
(10,974)	(10,401)	**—**	—	**—**	—	**—**	—
11,990	6,481	**—**	—	**50**	18	**—**	—
(12,840)	(5,061)	**213**	(514)	**(46)**	(48)	**—**	—
—	—	**37**	—	**143**	(29)	**—**	—
61,921	8,745	**4,985**	4,213	**900**	493	**—**	—
406,931	300,770	**154,498**	477,889	**772**	495	**—**	—
(700,298)	(309,032)	**(169,482)**	(476,338)	**(748)**	(10,513)	**—**	—
(293,367)	(8,262)	**(14,984)**	1,551	**24**	(10,018)	**—**	—
—	—	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**(587)**	(129)	**—**	—
231,146	8,815	**—**	—	**(37)**	(26)	**—**	—
—	—	**16,429**	3,915	**—**	—	**—**	—
—	—	**(4,940)**	(10,482)	**—**	—	**—**	—
—	—	**—**	—	**—**	10,000	**—**	—
—	—	**—**	—	**(250)**	(250)	**—**	—
231,146	8,815	**11,489**	(6,567)	**(874)**	9,595	**—**	—
(300)	9,298	**1,490**	(803)	**50**	70	**—**	—
11,195	1,897	**801**	1,604	**408**	338	**—**	—
10,895	11,195	**2,291**	801	**458**	408	**—**	—

CAPITAL FINANCING

Notes to Financial Statements — All Funds

DECEMBER 31, 1999

1 Summary of Significant Accounting Policies

The Municipal Finance Authority of British Columbia (the "Authority"), operates under the Municipal Finance Authority Act (the "Act") as the central borrowing agency for the financing of capital requirements of regional districts and their member municipalities, regional hospital districts and special purpose other municipal bodies (collectively the "members"). The Authority issues its own securities and lends the proceeds to it members on whose request the financing is undertaken. Obligations of the Authority are not obligations of the Province of British Columbia and are not guaranteed, directly or indirectly, by the Province. The Authority may annually impose rates not exceeding prescribed amounts on all taxable land and improvements in the Province to meet the annual operating budget. Additional rates will be levied if the trustees are of the opinion that debt payments may not be recovered within a reasonable time under loan agreements with its members.

The accompanying financial statements reflect the capital financing and general operations of the Authority. Other activities, including the maintenance of pooled investment funds and the interim financing fund are reported separately by the Authority.

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles. The Authority maintains its accounts according to the principles of fund accounting, by which financial resources are segregated for specific activities or to attain certain objectives. Five funds are maintained within the Capital Financing division.

A brief description of each of the capital financing funds and its purpose is as follows:

OPERATING FUND

The Act provides for the establishment of an Operating Fund to meet the annual operating budget. In addition to the administration of the Capital Financing activities, the Operating Fund receives management fees from the Pooled Investment Fund and the Interim Financing Funds and pays the cost of their operations.

The Authority manages funds on behalf of Forest Renewal BC for funding Community Bonds. The funds are held in the Pooled Investment Fund and the interest is drawn down quarterly and remitted to Forest Renewal BC.

DEBT FUND

The Authority's financing activities on behalf of its members are recorded in the Debt Fund.

CAPITAL REPAYMENT EQUALIZATION FUND

The Capital Repayment Equalization Fund is a repository for repayments from its members under their loan agreements in advance of the Authority's requirements on its related indebtedness. Transfers, not exceeding the amount available in respect of each issue, are made to the Debt Fund to meet the Authority's obligations when due.

DEBT RESERVE FUND

Under the Act, the Authority must establish a Debt Reserve Fund. Each member sharing in the proceeds of a securities issue is required to pay into the Debt Reserve Fund an amount equal to one-half the average annual installment of principal and interest in respect of its own borrowing together with one-half the average annual installment of principal and interest as set out in the agreements entered into with the regional district by member municipalities, utilities and the Greater Vancouver Transportation Authority (GVTA) in respect of their borrowings; such amount is payable either in full or in an amount equal to 1% (2%for the GVTA) of the principal amount borrowed with the balance secured by a non-interest bearing demand note.

If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the Debt Reserve Fund.

MARKET DEVELOPMENT FUND

The development of markets for the Authority's services is segregated in the Market Development Fund which is funded by transfers from the Operating Fund.

SURPLUS

The surplus balances of the Debt Fund and the Capital Repayment Equalization Fund represent budgeted actuarial earnings on investments held for debt retirement and undistributed earnings in excess of budgeted actuarial earnings due to members. The amount of surplus reallocated to members is disclosed in the Statement of Revenue, Expenditure and Surplus. Under the Act, the Authority may appropriate prior year's operating surpluses for current operations.

INCOME RECOGNITION

The annual operating levy is recognized as revenue in the Operating Fund when the rates have been set by the Authority in March of each year. It is collected on behalf of the Authority by the municipalities in the Province and the Provincial Surveyor of Taxes and is payable to the Authority on August 1 each year.

INTEREST ACCRUALS

Interest is accrued using the guidelines of Canadian generally accepted accounting principles.

AMORTIZATION OF ISSUE, DISCOUNT, REFUNDING AND EXCHANGE COSTS

Issue, discount, refunding and exchange costs are amortized on a straight-line basis over the average lives of the securities issues to which they relate.

FOREIGN CURRENCY TRANSACTIONS

The loans receivable and long-term debt payable in U.S. dollars are restated in Canadian dollars, in accordance with Canadian generally accepted accounting principles.

Foreign exchange exposure is fully hedged by virtue of contractual arrangements with the members on whose behalf the financing is undertaken and/or by the application of certain sections of the Act which, essentially, provide that all monetary risks, including foreign currency risks, are obligations of the members.

The Authority has arranged various re-funding of U.S. denominated debt into Canadian dollars. The exchange amounts incurred on the refinancing are presented as unamortized exchange costs and amortized over the average remaining terms of the new issue.

INVESTMENTS

The investment purchase and trading policy of the Authority is to match the maturity of its investments with the applicable obligation dates of its debt.

Securities purchased with the intention of holding to maturity or until market conditions, such as a change in interest rates, provide a better investment opportunity are recorded at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis. Any gains and losses on the disposal of these securities are recorded in the Statement of Revenue and Expenditure in the year they occur.

Securities may be purchased for investment return and may be either shorter or longer term. Such securities are also recorded at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis. When the market value of trading securities declines below carrying value and such decline in value is considered other than temporary, these securities are written down to market. Write-downs to market and any gains and losses on the sale of these securities are recorded in the Statement of Revenue and Expenditure in the year they occur.

SINKING FUNDS

Under the Act, obligations of the Authority purchased for a sinking fund account together with interest, premium, or exchange derived from them shall be held to the credit of that sinking fund account but may be resold. However, securities purchased in anticipation of mandatory annual redemptions for sinking fund purposes are cancelled immediately in accordance with the terms of such issues.

CAPITAL ASSETS

Capital assets are stated at cost. Amortization is provided on a straight line basis over 40 years.

2 Loans to members

Under the Act, each member sharing in the proceeds of a securities issue must pay over to the Authority such sums as are required to discharge its obligations to the Authority in respect to such securities issue, but if the scheduled payments provided for under the loan agreement are not sufficient to meet the Authority's obligations in respect of that securities issue, the deficiency is a liability of the member to the Authority.

The aggregate principal payments recoverable from the members in each of the next five years (excluding principal payments suspended as outlined below) are as follows:

	1999	1998
		THOUSANDS OF DOLLARS
1999	**$ —**	109,262
2000	**147,493**	112,937
2001	**138,916**	104,635
2002	**139,031**	103,634
2003	**131,159**	9,661
2004	**114,479**	—

When the Authority, under the Section 12(1) of the Act and with the approval of the Inspector of Municipalities, has determined that the amount of the assets in the sinking fund and/or the Capital Repayment Equalization Fund together with the anticipated earnings for that fund is greater than the amount which will be required to repay the debt or discharge the obligation and has declared that there

is an anticipated surplus in the fund of a specified amount, the scheduled future payments of both principal and interest from the members under the related loan agreements are suspended.

Loans to members include $34,295,381 (1998 — $48,066,363) which are denominated in U.S. dollars. The difference between loans receivable in U.S. dollars of $34,295,381 (1998 — $48,066,363) and loans payable in U.S. dollars of $1,599,000 (1998 — $1,917,000) results from various re-fundings of U.S. denominated debt into Canadian dollars. The loans to members under these re-fundings have remained in U.S. dollars.

For financial statement presentation, both the loans receivable from the members in U.S. dollars, and the U.S. denominated debt have been restated in Canadian Dollars at the appropriate exchange rate.

3 Assumption of debt, loans receivable and sinking fund balances

Effective March 31, 1999, the Authority assumed certain debt issues under defeasance agreement from the Province of British Columbia. Under the defeasance agreement, the Authority assumed all administrative responsibility for the outstanding debt requirements for British Columbia Regional Hospital Districts ("RHD") and the Greater Vancouver Transportation Authority ("GVTA"). Upon transfer, the Authority also assumed the related loan receivable balances and sinking fund investment balances. The balances transferred are summarized as follows:

	RHD	GVTA	TOTAL
			THOUSANDS OF DOLLARS
Loans receivable	$ 185,904	377,981	563,885
Investments	138,727	77,961	216,688
Total assets transferred	324,631	455,942	780,573
Debt issues assumed	297,929	418,830	716,759
Net surplus on transfer	**$ 26,702**	**37,112**	**63,814**

4 Investments

Investments consist of securities of:

	1999		1998
	Par value	Book value	Book value
			THOUSANDS OF DOLLARS
CAPITAL REPAYMENT EQUALIZATION FUND			
Government of Canada, direct or guaranteed	$ 281,014	223,103	82,096
Provincial governments, direct or guaranteed	292,478	208,872	175,464
Chartered banks, direct or guaranteed	469,265	422,615	265,943
Credit Unions in the Province	18,368	17,726	14,088
Regional and municipal governments	16,552	16,595	17,452
The Authority — Pooled Investments	—	—	8,593
	1,077,677	888,911	563,636
The Authority	51,841	53,674	63,941
	$ 1,129,518	942,585	627,577
DEBT RESERVE FUND			
Government of Canada, direct or guaranteed	$ 73,779	52,489	43,104
Provincial governments, direct or guaranteed	38,270	26,797	25,429
Chartered banks, direct or guaranteed	12,475	12,523	9,908
	$ 124,524	91,809	78,441
OPERATING FUND			
The Authority — Pooled Investments	$ 10,118	10,118	10,142
Total, all funds	1,264,160	1,044,512	716,160
Less investments held by the Authority	51,841	53,674	63,941
Combined Total	$ 1,212,319	990,838	652,219

5 Investments in Sinking Funds

The annual deposits to the sinking funds for securities issues payable in Canadian dollars are based on an expected earnings rate of 5% per annum, capitalized yearly.

The assets and the surpluses of the sinking funds are as follows:

	1999		1998
	Par value	Book value	Book value
			THOUSANDS OF DOLLARS
SECURITIES			
Government of Canada, direct or guaranteed	$ 3,617	3,397	3,626
Provincial governments, direct or guaranteed	16,345	15,211	14,902
Chartered banks, direct or guaranteed	28,910	25,448	39,000
Credit Unions in the Province	2,217	2,165	3,373
Regional and municipal government	—	—	43
	51,089	46,221	60,944
The Authority	5,224	5,782	12,521
	$ 56,313	52,003	73,465
Cash		193	1,072
Accrued interest and other		193	276
Total Assets		$ 52,389	74,813
Presented on Balance Sheet as:			
Investment in sinking funds:			
Accumulated actuarial requirements for retirement of related sinking fund debt		$ 21,408	37,677
Excess of assets from non fully-funded debt issues (i)		6,394	13,554
		27,802	51,231
Sinking fund assets in excess of related debt (ii)		24,587	23,582
		$ 52,389	74,813

(i) These assets remain in the sinking fund to cover the applicable debt.
(ii) This excess will flow back to member borrowers (See Note 10).

6 Capital Assets

In 1996 the Authority acquired the office property out of which the Authority operates for $998,000. The purchase, which is reflected in the Operating Fund, was financed by borrowing from the Short Term Debt Fund. During 1999 the Authority repaid the balance outstanding of $512,429.

7 Long-term debt

The aggregate long-term debt maturities and sinking fund requirements in each of the next five years are as follows (including provision for early calls by the Authority and redemptions at the option of the bondholder):

	1999	1998
		THOUSANDS OF DOLLARS
1999	$ —	102,303
2000	190,338	173,672
2001	232,173	189,093
2002	222,158	149,730
2003	304,616	223,417
2004	173,001	—

Since the terms of maturities of certain of the Authority's securities issues and the related loans to the members do not coincide, refunding of a portion of such securities issues will be required in future years. Refundings over the next five years and the average interest rates on the refunded amounts, are as follows:

	RE-FUNDING $	EXISTING INTEREST RATE %
	THOUSANDS OF DOLLARS	
2000	20,000	11.42
2001	2,100	9.38
2002	22,700	9.63
2003	33,400	8.00
2004	44,700	8.50

8 Due to Members — Debt Reserve Fund

The amounts due to the members will be repaid to them when they have made the final payment under their respective loan agreements. However, where a member has discharged its obligation to a regional district with respect to a securities issue, the Authority may repay to the regional district for the credit of the member a portion of the money which is an obligation to the regional district and the money so paid shall be applied to reduce that obligation.

If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions must be made from the Debt Reserve Fund.

If the Trustees of the Authority are of the opinion that the payments made from the Debt Reserve Fund may not be recovered under the terms of the loan agreements within a reasonable time, they may levy or impose upon substantially all taxable land and improvements in the Province rates sufficient to maintain the Debt Reserve Fund at a level not exceeding the amount which would have been in the fund had no such payments been made. Further, the Board of Trustees must impose such rates when the balance in the fund is less than fifty percent of the amount that would have been in the fund had no such payments been made.

9 Due to sinking and other funds

The Authority may invest sinking fund and Capital Repayment Equalization Fund monies in its own securities maturing not later than the securities for which the sinking fund or Capital Repayment Equalization Fund account was created. These investments have been offset against the related debt in the combined statements (see "Debt Fund — Schedule of Long Term Debt").

10 Allocations to Members

This amount is the total of surpluses earned by specific securities issues that have matured and were distributed back to the members for which the financing was undertaken. Allocations of net earnings to members, which applies to the Debt Reserve Fund is shown separately. During the year, the following surplus was allocated:

	1999	1998
		THOUSANDS OF DOLLARS
Cash surplus repayments	$ 10,974	10,401
Current year invoice payments forgiven	1,188	27,549
Future invoice payments forgiven	7,442	7,549
	$ 19,604	45,499

11 Financial instruments

Upon maturity of certain debt issues the Authority may refinance any remaining loans receivable balances associated with those debt issues through the Authority's Interim Financing program revolving credit facility. As at December 31 the Authority had $55,322,941 (1998 — $16,448,235) of these loans outstanding subject to floating interest rates. As at December this floating rate was 5.25% while the related relending of these funds to members ranged from 5.50% to 6.90%.

The Authority has entered into certain financial agreements with third party financial institutions whereby the Authority will make periodic principal payments in exchange for certain future cash repayments. As at December 31, 1999 the future value of these contracts is $398,870,000 (1998 — NIL) while related principal payments by the Authority towards those contracts is $42,642,000 (1998 — NIL).

The carrying values of cash, interest receivable and accounts payable approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair market values of other financial assets and liabilities included in the combined balance sheet at carrying amount are as follows:

	1999		1998	
	CARRYING AMOUNT	FAIR MARKET VALUE	CARRYING AMOUNT	FAIR MARKET VALUE
				THOUSANDS OF DOLLARS
INVESTMENTS				
Capital Repayment Equalization Fund	$ 942,585	887,649	627,577	644,018
Debt Reserve Fund	91,809	87,854	78,441	78,350
Sinking Funds	52,003	50,550	73,465	73,856
Loans to Members	2,702,045	2,741,368	1,988,013	2,192,878
Long Term Debt	3,176,964	3,285,615	2,270,001	2,529,467

Fair values were estimated as follows:

Investments — based on quoted market values.

Long-term debt — prices based on yield to maturity on first call date using appropriate spreads over Canada Bonds as a benchmark.

Loans to Members — values estimated using prices equivalent to the related long-term debt for each issue.

12 Debt Fund Accounts Payable

Debt Fund Accounts Payable, Unpresented Matured Debt and Accrued Interest Payable also includes the difference between the unscheduled early payout by various members and the book value of their liabilities to the Authority. These early payments by the Authority's members are based on the cost to the Authority of purchasing investments that will exactly match the principal and interest payments the member would have otherwise made.

13 Supplemental cash flow information

During the year the Authority received cash payments of $231,228,000 (1998 — $182,021,000) as interest payments from members and $57,107,000 (1998 — $45,948,000) as interest on investments.

During the year the Authority made payments of $236,034,000 (1998 — $185,201,000) as interest payments to bondholders and $2,813,000 (1998 — $1,440,000) as interest payments on internal loans.

14 Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of the financial statements include the assumption of a 5% expected earnings rate on sinking funds, which makes up a portion of the asset "Loans to Members." (See note 5.)

15 Comparative figures

Certain 1998 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

CAPITAL FINANCING

Debt Fund — Schedule of Long-Term Debt

DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998

ISSUE / SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
PAYABLE IN CANADIAN DOLLARS				
21	1977	December 1, 2002	9.500	7,000
A23	1978	November 15, 2003	10.000	3,265
A25	1994	December 6, 1999	8.750	22,000
33	1983	June 15, 2000-2003	12.375	63,300
36	1984	December 5, 1999	13.000	30,500
37 / CA	1985	June 12, 2000 / 2005	12.000	21,800
38 / CB	1985	December 12, 2000 / 2005	11.000	15,500
A29	1986	April 29, 2001	14.000	91,362
39 / EB	1986	June 2, 2001	9.375	65,500
40 / CC	1986	October 23, 2003 / 2006	10.125	26,000
46 / CH	1989	May 9, 1999	10.900	27,100
47 / CI	1989	November 9, 1999	10.250	29,400
48 / CJ	1990	May 15, 2000	11.625	77,925
49 / CK	1990	October 24, 2000	11.200	21,700
50 / CL	1991	May 8, 2006	10.250	46,000
53 / CN	1992	May 13, 2002	9.625	55,000
54 / CO	1993	January 12, 2003	8.300	57,300
55	1993	May 12, 2000-2003 May 12, 2013	7.750-8.000 8.750	15,000 50,000
56 / EC	1993	November 19, 2003	7.250	98,000
58 / ED	1994	May 10, 2004	8.500	91,000
60 / CQ	1995	April 12, 2000 / 2005	8.200 / 8.500	47,000
61 / CR	1995	December 1, 2005	7.750	350,000
62	1995	December 1, 2000 / 2005	7.500	134
64 / CS	1996	September 25, 2006	7.250	100,000
65 / CT	1997	April 24, 2007	6.750	125,000
66 / CU	1997	November 5, 2000-2006 November 5, 2007	4.875-5.625 5.625	75,000 60,000
68 / CV	1998	March 24, 2000-2007 March 24, 2008	5.125-5.500 5.500	86,642 336,000
70/CW	1999	June 1, 2009	5.250	360,000
			Carried forward	2,454,428

Schedule

THOUSANDS OF DOLLARS

1999			1998	
OUTSTANDING	SINKING FUNDS	LONG-TERM DEBT, NET	LONG-TERM DEBT, NET	REFERENCES
PAYABLE IN CANADIAN DOLLARS				
7,000	7,000	—	—	(1) (2)
3,265	3,265	—	—	(1) (2)
—	—	—	5,100	(1)
33,290	—	33,290	39,420	(3)
—	—	—	5,336	(2) (5)
21,800	17,537	4,263	5,998	(2) (6)
15,500	—	15,500	15,500	(7)
91,362	—	91,362	91,362	(1)
65,500	—	65,500	65,500	(4)
26,000	—	26,000	26,000	(8)
—	—	—	27,100	(1)
—	—	—	29,400	(1)
77,925	—	77,925	77,925	(1)
21,700	—	21,700	21,700	(1)
45,980	—	45,980	45,980	(1)
55,000	—	55,000	55,000	(1)
57,300	—	57,300	57,300	(1)
7,275	—	7,725	8,800	(1)
50,000	—	50,000	50,000	(1)
98,000	—	98,000	98,000	(1)
91,000	—	91,000	91,000	(1)
47,000	—	47,000	47,000	(1) (9)
350,000	—	350,000	350,000	(1)
134	—	134	134	(10)
100,000	—	100,000	100,000	(1)
125,000	—	125,000	125,000	(1)
60,986	—	60,986	68,134	(1)
60,000	—	60,000	60,000	(1)
86,642	—	86,642	86,642	(1)
336,000	—	336,000	336,00	(1)
360,000	—	360,000	—	
2,293,659	27,802	2,265,857	1,989,331	

continued

CAPITAL FINANCING

Debt Fund — Schedule of Long-Term Debt

DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998

ISSUE / SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
			Brought forward	$ 2,454,428
PAYABLE IN CANADIAN DOLLARS:				
501 to 628	1999	August 16, 2000 - November 30, 2015	5.250 - 17.510	297,929
701 to 715	1999	August 3, 2000 - July 15, 2009	4.560 - 15.540	418,830
902	1996	January 9, 2002	9.000	50,000
903	1996	January 9, 2012	9.500	33,000
906	1996	June 16, 2003	7.750	10,000
908	1996	December 22, 2003	7.000	10,000
909	1996	February 3, 2004	6.500	5,000
910	1996	August 29, 2001	10.150	3,500
911	1996	January 9, 2002	9.000	14,000
912	1996	January 9, 2012	9.500	24,000
915	1996	June 16, 2003	7.750	5,000
917	1996	December 22, 2003	7.000	10,000
918	1996	February 3, 2004	6.500	5,000
919	1996	February 3, 2004	6.500	20,000
920	1996	June 21, 2004	9.000	8,000
921	1996	August 16, 1999	8.400	24,000
922	1996	August 16, 2004	9.125	5,000
			Payable in Canadian Dollars:	3,397,687
PAYABLE IN UNITED STATES DOLLARS:				
22	1978	June 1, 2003	9.375	4,737
				$ 3,402,424

Add: Foreign Exchange on conversion of U.S. debt to Canadian dollars

Total per Debt Fund

LESS AMOUNTS HELD AS INVESTMENTS BY THE AUTHORITY:

Capital Repayment Equalization Fund

Net debt due bondholders

Schedule

THOUSANDS OF DOLLARS

1999			1998	
OUTSTANDING	SINKING FUNDS	LONG-TERM DEBT, NET	LONG-TERM DEBT, NET	REFERENCES
2,293,659	27,802	2,265,857	1,989,331	
297,929	—	297,929	—	(1) (12)
380,568	—	380,568	—	(1) (13)
50,000	—	50,000	50,000	(1) (11)
33,000	—	33,000	33,000	(1) (11)
10,000	—	10,000	10,000	(1) (11)
10,000	—	10,000	10,000	(1) (11)
5,000	—	5,000	5,000	(1) (11)
3,500	—	3,500	3,500	(1) (11)
14,000	—	14,000	14,000	(1) (11)
24,000	—	24,000	24,000	(1) (11)
5,000	—	5,000	5,000	(1) (11)
10,000	—	10,000	10,000	(1) (11)
5,000	—	5,000	5,000	(1) (11)
20,000	—	20,000	20,000	(1) (11)
8,000	—	8,000	8,000	(1) (11)
—	—	—	24,000	(1) (11)
5,000	—	5,000	5,000	(1) (11)
3,174,656	27,802	3,146,854	2,215,831	
1,599	—	1,599	1,917	(3)
3,176,255	27,802	3,148,453	2,217,748	
709		709	1,022	
3,176,964		3,149,162	2,218,770	
53,674				
3,123,290				

CAPITAL FINANCING

Debt Fund — References to Schedule of Long-Term Debt

DECEMBER 31, 1999

1 Non-callable prior to maturity.

2 The sinking fund has been calculated to provide for retirement of the issue at maturity.

3 Non-callable except for sinking fund purposes.

4 Callable upon the imposition of withholding taxes at any time at 100%.

5 Called on December 5, 1999.

6 Callable on June 12, 2000 and thereafter at any time at 100%.

7 Callable on December 12, 2000 and thereafter at any time at 100%.

8 Callable on October 23, 2003 and thereafter at any time at 100%.

9 Five-year Canadian debenture at 8.200% due April 12, 2000, extendible at holder's option to mature April 12, 2005 to pay 8.500% for last five years.

10 Five-year Community bonds at 7.500% due December 1, 2000, extendible at holder's option to mature December 1, 2005 to pay an interest rate for the last five years to be set later by the Trustees.

11 Debenture issues transferred from the Province of British Columbia, to MFA on April 1, 1996.

12 Debt issues, relating to the Regional Hospital Districts, transferred from Province of British Columbia, to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 125 debenture issues averaging $2.366 million each. Individual issue detail is not shown.

13 Debt issues, relating to the Greater Vancouver Transportation Authority, transferred from Province of British Columbia, to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 15 debenture issues averaging $23.785 million each. Individual issue detail is not shown.

CAPITAL FINANCING

Schedule of Loans to Members 1999
(Unaudited)

OUTSTANDING AT DECEMBER 31, 1999

THOUSANDS OF DOLLARS (EXCEPT PER CAPITA)

	PRINCIPAL OUTSTANDING DEC. 31, 1998	1999 NEW LOANS ISSUED	1999 PRINCIPAL REPAID	PRINCIPAL OUTSTANDING DEC. 31, 1999	PER CAPITA
REGIONAL DISTRICTS					
Alberni-Clayoquot	$ 4,989	4,843	412	**9,420**	282
Bulkley-Nechako	8,339	2,033	951	**9,421**	209
Capital	196,604	48,424	14,942	**230,086**	685
Cariboo	32,117	15,620	2,483	**45,254**	619
Central Coast	397	21	8	**410**	94
Central Kootenay	24,083	3,512	2,054	**25,541**	415
Central Okanagan	54,840	33,930	3,114	**85,656**	571
Columbia Shuswap	16,626	10,662	1,107	**26,181**	500
Comox-Strathcona	81,245	23,906	7,282	**97,869**	927
Cowichan Valley	23,388	5,730	1,884	**27,234**	357
East Kootenay	42,718	8,274	3,089	**47,903**	794
Fraser-Fort George	77,732	5,164	3,743	**79,153**	741
Fraser Valley	123,688	28,511	9,000	**143,199**	598
Greater Vancouver	800,888	107,072	77,175	**830,785**	420
Kitimat-Stikine	9,418	2,740	839	**11,319**	243
Kootenay Boundary	13,103	3,998	1,080	**16,021**	467
Mount Waddington	5,176	534	337	**5,373**	351
Nanaimo	53,512	16,863	4,183	**66,192**	500
North Okanagan	34,105	9,945	1,864	**42,186**	550
Northern Rockies	4,635	2,811	356	**7,090**	1,097
Okanagan-Similkameen	32,126	11,072	1,762	**41,436**	516
Peace River	56,571	16,362	4,590	**68,343**	1,132
Powell River	5,032	12,745	489	**17,288**	813
Skeena-Queen Charlotte	18,747	1,698	1,514	**18,931**	741
Squamish-Lillooet	19,966	5,856	1,144	**24,678**	698
Sunshine Coast	8,847	2,834	1,045	**10,636**	393
Thompson-Nicola	56,055	8,162	6,122	**58,095**	452
OTHER					
District of Campbell River	1,523	—	429	**1,094**	35
Greater Nanaimo Water District	16,291	—	862	**15,429**	116
E-COMM	146,316	—	—	**146,316**	65
GVTA	—	527,981	48,070	**479,911**	243
	1,969,076	921,302	201,930	**2,688,448**	670
Foreign Exchange				**13,597**	
				2,702,045	673

NOTE: Included in new loan issued are loans assumed from the Province of British Columbia for the British Columbia Regional Hospital Districts (RHD) and the Greater Vancouver Transportation Authority (GVTA), (see Notes to Financial Statements — Note 3). The RHD loans assumed have been included in the New Loans Issued balance of their associated Regional District.

CAPITAL FINANCING

Ten Year Review — Combined Funds

	1999	1998	1997	1996
ASSETS				
Loans to Members	$ 2,702,045	1,988,013	1,758,368	1,721,135
Investments — Net of holdings of the Authority	990,838	652,219	580,138	540,349
Investments in Sinking Funds	27,802	51,231	83,895	146,143
Sinking fund assets in excess of related debt	24,587	23,582	22,624	35,185
Accrued interest and other receivables	74,166	44,727	34,964	38,098
Demand notes receivable from Members	185,938	152,502	139,036	135,991
Unamortized issue, discount, refunding and exchange costs	29,506	15,774	19,779	19,541
Cash	14,319	12,500	3,957	7,815
Capital assets	929	954	979	997
Due from Interim Financing	—	—	—	30
Deferred receivables from members	—	—	—	—
Total Assets	$ 4,050,130	2,941,502	2,643,740	2,645,284
LIABILITIES, RESERVES AND SURPLUS				
Long-term debt	$ 3,123,290	2,206,060	1,947,612	1,920,404
Due to Members	280,862	232,818	218,275	214,877
Accounts payable and unpresented matured debt	67,494	41,234	36,977	38,192
Due to sinking and other funds	74,004	35,956	20,926	—
Due to Interim Financing	—	512	641	747
Due to Forest Renewal BC	10,118	10,142	—	—
Total liabilities	3,555,768	2,526,722	2,224,431	2,174,220
Equity in capital assets	929	486	357	250
Surplus	493,433	414,294	418,952	470,814
Total liabilities, reserves and surplus	$ 4,050,130	2,941,502	2,643,740	2,645,284
REVENUE				
Interest from loans to Members	$ 242,654	186,786	183,374	189,919
Investment income	61,383	56,596	79,605	73,577
Other	735	800	775	756
Recoveries from new issues	434	255	255	255
Operating levy	101	101	101	105
Recovery of deficiencies from Members	—	—	—	—
Total revenue	305,307	244,538	264,110	264,612
EXPENDITURE				
Interest	259,190	189,153	187,714	186,172
Amortization of issue, discount, refunding and exchange costs	5,569	5,037	4,688	7,638
Administrative	1,360	1,298	1,262	1,078
Debt management and marketing	372	186	176	227
Allocation of net earnings to Members	3,119	7,644	5,368	11,299
Total expenditure	269,610	203,318	199,208	206,414
Excess of revenue over expenditure for the year	35,697	41,220	64,902	58,918
Surplus at beginning of the year	414,294	418,952	470,814	421,117
Surplus on debt issues from Province	63,814	—	—	20,213
Allocations to Members	(19,604)	(45,499)	(116,407)	(28,214)
Appropriation of surplus to Capital Expenditure	(518)	(129)	(107)	(250)
Dividends paid	(250)	(250)	(250)	(250)
Surplus, end of the year	$ 493,433	414,294	418,952	470,814

THOUSANDS OF DOLLARS

1995	1994	1993	1992	1991	1990
1,406,167	1,260,772	1,257,889	1,168,776	1,141,183	1,113,342
419,491	357,620	315,163	292,954	267,160	240,832
141,622	142,179	149,923	144,778	136,004	120,116
32,196	30,032	23,613	13,401	6,081	3,018
30,855	26,303	25,504	23,210	3,892	2,500
114,963	107,706	105,817	99,441	97,159	92,233
26,065	11,192	12,096	3,597	3,043	3,555
6,181	10,597	2,712	2,349	2,238	2,786
—	—	—	9	—	—
25	11	7	—	—	—
—	—	—	—	—	262
2,177,565	1,946,412	1,892,724	1,748,515	1,656,760	1,578,644
1,527,529	1,350,538	1,336,331	1,249,035	1,233,791	1,213,386
189,610	180,064	174,693	163,684	160,576	152,845
33,578	29,258	25,121	24,013	324	362
5,731	2,826	166	1,130	85	33
—	100	100	14,134	—	—
—	—	—	—	—	—
1,756,448	1,562,786	1,536,411	1,451,996	1,394,776	1,366,626
—	—	—	—	—	—
421,117	383,626	356,313	296,519	261,984	212,018
2,177,565	1,946,412	1,892,724	1,748,515	1,656,760	1,578,644
177,120	138,208	168,104	178,369	151,024	150,766
52,641	48,906	49,306	46,878	44,658	37,982
2,097	2,992	2,940	350	1,108	809
110	150	115	150	119	109
103	105	106	110	108	193
—	—	—	136	236	145
232,071	190,361	220,571	225,993	197,253	190,004
147,347	134,822	142,454	166,349	138,682	137,041
3,945	3,662	1,960	1,723	513	546
957	954	783	860	661	626
135	159	103	8,784	411	321
8,248	5,451	6,097	6,342	6,859	6,120
160,632	145,048	151,397	184,058	147,126	144,654
71,439	45,313	69,174	41,935	30,127	45,350
383,626	356,313	296,519	261,984	212,018	166,821
—	—	—	—	—	—
(33,698)	(17,750)	(9,255)	(7,353)	(161)	(153)
—	—	—	—	—	—
(250)	(250)	(125)	(47)	—	—
421,117	383,626	356,313	296,519	261,984	212,018

Canadian Dollar Bonds Issued in Canada

ISSUE / SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 1999 $(000)	INTEREST
21	9.50% Sinking Fund Debentures due December 1, 2002	December 1, 1977	7,000	7,000	Semi-annual June 1 December 1
A23	10% Sinking Fund Debentures due November 15, 2003	November 15, 1978	3,265	3,265	Semi-annual May 15 November 15
A29	14% Bonds due April 29, 2001	April 29, 1986	91,362	91,362	Semi-annual April 29 October 29
33	12.375% Sinking Fund Debentures due June 15, 2003	June 15, 1983	63,300	33,290	Semi-annual June 15 December 15
37/CA	12% Sinking Fund Debentures due June 12, 2000/2005	June 12, 1985	21,800	21,800	Semi-annual June 12 December 12
38/CB	11% Debentures due December 12, 2000/2005	December 12, 1985	15,500	15,500	Semi-annual June 12 December 12
40/CC	10.125% Debentures due October 23, 2003/2006	October 23, 1986	26,000	26,000	Semi-annual April 23 October 23
48/CJ	11.625% Debentures due May 15, 2000	May 1, 1990	77,925	77,925	Semi-annual May 15 November 15
49/CK	11.20% Debentures due October 24, 2000	October 24, 1990	21,700	21,700	Semi-annual April 24 October 24
50/CL	10.25% Debentures due May 8, 2006	May 8, 1991	46,000	45,980	Semi-annual May 8 November 8

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Coupon – $1,000 Coupon – $5,000 Coupon – $25,000 Fully registered $1,000 and multiples thereof. Exchangeable	Non-callable	Annual deposits 1978-2002	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	Annual deposits 1979-2003	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Coupon – $1,000 Coupon – $25,000 Coupon – $100,000 Fully registered $1,000 and multiples thereof. Exchangeable	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Coupon – $1,000 Coupon – $25,000 Coupon – $100,000 Fully registered $1,000 and multiples thereof. Exchangeable	Non-callable except for sinking fund purposes	2000 – 6,890 2001 – 7,740 2002 – 8,690 2003 – 9,970	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Coupon – $1,000 Coupon – $25,000 Coupon – $100,000 Fully registered $1,000 and multiples thereof. Exchangeable	Callable at par on or after June 12, 2000	Annual deposits 1986-2005	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Coupon – $1,000 Coupon – $25,000 Coupon – $100,000 Fully registered $1,000 and multiples thereof. Exchangeable	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 393 University Ave. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Callable at par on or after October 23, 2003	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6

continued

Canadian Dollar Bonds Issued in Canada

ISSUE / SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 1999 $(000)	INTEREST
53 / CN	9.625% Debentures due May 13, 2002	May 13, 1992	55,000	55,000	Semi-annual May 13 November 13
54 / CO	8.300% Debentures due January 12, 2003	January 12, 1993	57,300	57,300	Semi-annual January 12 July 12
55 / CP	7.500-8000% Serial Debentures due May 12, 2000-2003	May 12, 1993	15,000	7,275	Semi-annual May 12 November 12
	8.750% Debentures due May 12, 2013	May 12, 1993	50,000	50,000	"
60 / CQ	8.200 / 8.500% Extendible Debentures due April 12, 2000 / 2005	April 12, 1995	47,000	47,000	Semi-annual April 12 October 12
61 / CR	7.750% Debentures due December 1, 2005	December 1, 1995	350,000	350,000	Semi-annual June 1 December 1
62	7.50% Extendible Debentures due December 1, 2000 / 2005'	December 1, 1995	134	134	Semi-annual June 1 December 1
64 / CS	7.25% Debentures due September 25, 2006	September 25, 1996	100,000	100,000	Semi-annual March 25 September 25
65 / CT	6.75% Debentures due April 24, 2007	April 24, 1997	125,000	125,000	Semi-annual October 24 April 24
66 / CU	4.8775-5.625% Serial Debentures due November 5, 2000-2006	November 5, 1997	75,000	60,986	Semi-annual May 5 November 5
	5.625% Debentures due November 5, 2007	"	60,000	60,000	"

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	2000 – 1,650 2001 – 1,750 2002 – 1,875 2003 – 2,000	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
"		None	"	
Fully registered $1,000 and multiples thereof	Non-callable	None	Extendible at holder's option on April 12, 2000 for five years. Paying interest at 8.20% for first five years, and 8.50% upon extension.	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	Extendible at holder's option on December 1, 2000 for five years. Paying interest at 7.50% for first five years with rate to be set by Trustees for last five years.	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	2000 – 7,470 2001 – 7,384 2002 – 8,226 2003 – 8,647 2004 – 9,101	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
"		None	"	

continued

Canadian Dollar Bonds Issued in Canada

ISSUE / SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 1999 $(000)	INTEREST
68 / CV	5.125-5.500% Serial Debentures due March 24, 2000-2007	March 24, 1998	86,642	86,642	Semi-annual March 24 September 24
	5.500% Debentures due March 24, 2008	"	336,000	336,000	"
70/ CW	5.25% Debentures due June 1, 2009	March 24, 1999	360,000	360,000	Semi-annual June 1 December 1

Canadian Dollar Bonds Issued in Europe

ISSUE / SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 1999 $(000)	INTEREST
39 / EB	9.375% Bonds due June 2, 2001	June 2, 1986	65,500	65,500	Annual June 2
56 / EC	7.250% Bonds due November 19, 2003	November 19, 1993	98,000	98,000	Annual November 19
58 / ED	8.500% Bonds due May 10, 2004	May 10, 1994	91,000	91,000	Annual May 10

U.S. Dollar Bonds Issued in the United States of

ISSUE / SERIES	DESCRIPTION	DATED	AUTHORIZED U.S. $(000)	OUTSTANDING DECEMBER 31, 1999 U.S. $(000)	INTEREST
22	9.375% Sinking Fund Debentures due June 1, 2003	June 1, 1978	4,737	1,599	Semi-annual June 1 December 1

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Registered at CDS. Book entry only.	Non-callable	2000 – 8,975 2001 – 9,445 2002 – 9,941 2003 – 10,462 2004 – 11,024	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
"		None	"	
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6S

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	PRINCIPAL PAYING AGENT/TRUSTEE/ STOCK EXCHANGE LISTING
Coupon – $1,000	Non-callable except upon imposition of withholding taxes	None	N/A	Kredietbank S.A. Luxembourgeoise Luxembourg. Luxembourg Stock Exchange Luxembourg
Coupon – $1,000 – $10,000 – $100,000	Non-callable except upon imposition of withholding taxes	None	N/A	RBC Dominion Securities London, England Luxembourg Stock Exchange Luxembourg
Coupon – $1,000 – $10,000	Non-callable	None	N/A	RBC Dominion Securities London, England Luxembourg Stock Exchange Luxembourg

America

DENOMINATIONS	CALL	SINKING FUND NEXT 5 YEARS U.S. $(000)	AUTHENTICATING AND PAYING AGENT
Fully registered U.S. $1,000 and multiples thereof	Non-callable except for sinking fund purposes. Optional redemption— Tenders may be called from all holders	2000– 347 2001– 380 2002– 416 2003– 456	Bank of Montreal Trust Company 75 Water Street New York, NY 10005

The Partners

PHILLIPS, HAGER & NORTH INVESTMENT MANAGEMENT LTD.

SCOTT LAMONT, CHRISTINE HU AND RICHARD DURRANS

CHRISTINE HU AND BRUCE HOESCHEN

CHRIS SUZUKI, LYNN DELAHEY AND BRUCE HOESCHEN

MICHAEL BORDEN

ON-LINE FINANCE & LEASING CORPORATION

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CIBC MELLON TRUST COMPANY

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A great deal of the success of the MFA is due to the many private sector partnerships it has made. The partnerships are for investment, leasing, custodian and transfer agent services. There is ongoing competition for these services which translates into excellent private sector partnerships for the MFA.

ROYAL TRUST

KEN HUTTON, BRENDA SIM, DERRICK JOHNSTONE & KIT TO

Forums

Our 1999 Forum focused on Quebec's future in Canada and the First Nations in British Columbia. The First Nations discussion panel was also re-created for the MATI 2 program on Bowen Island in June.

'99 FORUM MODERATOR

Hon. Iona Campagnolo

MAYOR BRUCE MILNE / DISTRICT OF SECHELT

For the first time, attendees at our Forum included students from local high schools. Their curiosity and desire to learn contributed greatly to the success of the Forum.

MARC-ANDRÉ BLANCHARD / McCARTHY TÉTRAULT

EDMOND WRIGHT / NISGA'A TRIBAL COUNCIL

CHAIR LEN TRABOULAY,
CITY OF PORT COQUITLAM

High school students at luncheon
in informal discussions with speaker

UBC PROFESSOR PAUL TENNANT

HON. DANIEL
JOHNSON

FORMER PREMIER
OF QUEBEC

DEPUTY MINISTER PHILIP STEENKAMP /
MINISTRY OF ABORIGINAL AFFAIRS

GORDON GIBSON /
FRASER INSTITUTE

DR. ROSLYN
KUNIN /
LAURIER INSTITUTE

TRUSTEE COLIN KINSLEY /
CITY OF PRINCE GEORGE

STUDENT
STUDYING NOTES

POOLED INVESTMENTS

Auditors' Report 1999

TO THE MEMBERS OF THE MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

We have audited the balance sheets of the Money Market Fund, the Intermediate Fund and the Bond Fund of the Municipal Finance Authority of British Columbia (the "Authority") and the combined balance sheet of these Funds as at December 31, 1999, the statements of operations and unitholders' equity and cash flows of each of these Funds and the combined statements of operations and unitholder's equity and cash flows of these Funds for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of these Funds of the Authority as at December 31, 1999, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles as described in Note 1 to the financial statements. As required by the British Columbia Municipal Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
January 31, 2000

POOLED INVESTMENTS

Balance Sheets

DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998 — THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		COMBINED	
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
ASSETS								
Cash	$ **7,468**	5,483	**—**	9	**47**	95	**7,515**	5,587
Investments (Schedules 1, 2 and 3)	**471,180**	440,220	**54,977**	91,676	**127,521**	162,689	**653,678**	694,585
	$ **478,648**	445,703	**54,977**	91,685	**127,568**	162,784	**661,193**	700,172
LIABILITIES								
Bank indebtedness	$ **—**	—	**1,945**	—	**—**	—	**1,945**	—
Accrued management fees	**66**	59	**10**	15	**22**	27	**98**	101
Unitholder payable	**63**	5	**—**	—	**—**	—	**63**	5
	129	64	**1,955**	15	**22**	27	**2,106**	106
UNITHOLDERS' EQUITY	**478,519**	445,639	**53,022**	91,670	**127,546**	162,757	**659,087**	700,066
	$ **478,648**	445,703	**54,977**	91,685	**127,568**	162,784	**661,193**	700,172

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SECRETARY-TREASURER

POOLED INVESTMENTS

Statements of Operations and Unitholders' Equity

YEAR ENDED DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998 — THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		COMBINED	
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
INVESTMENT INCOME								
Interest income	$ **26,757**	23,740	**4,720**	6,495	**9,272**	10,062	**40,749**	40,297
Less management fees	**825**	713	**157**	216	**286**	297	**1,268**	1,226
	25,932	23,027	**4,563**	6,279	**8,986**	9,765	**39,481**	39,071
GAIN (LOSS) ON INVESTMENTS								
Net realized (loss)	**—**	(1)	**(1,662)**	(1,858)	**(3,465)**	(1,637)	**(5,127)**	(3,496)
Net unrealized gain (loss)	**—**	—	**401**	1,091	**(2,542)**	1,498	**(2,141)**	2,589
Net (loss) on investments	**—**	(1)	**(1,261)**	(767)	**(6,007)**	(139)	**(7,268)**	(907)
NET EARNINGS DISTRIBUTED	$ **25,932**	23,026	**3,302**	5,512	**2,979**	9,626	**32,213**	38,164
UNITHOLDERS' EQUITY								
Units outstanding, beginning of the year	$ **445,639**	431,302	**91,670**	118,315	**162,757**	124,964	**700,066**	674,581
Units subscribed	**1,310,934**	1,234,019	**8,017**	15,550	**28,508**	51,500	**1,347,459**	1,301,069
Distributions reinvested	**25,932**	23,026	**3,302**	5,512	**2,979**	9,626	**32,213**	38,164
Units redeemed	**(1,303,986)**	(1,242,708)	**(49,967)**	(47,707)	**(66,698)**	(23,333)	**(1,420,651)**	(1,313,748)
Units outstanding, end of the year	$ **478,519**	445,639	**53,022**	91,670	**127,546**	162,757	**659,087**	700,066

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

POOLED INVESTMENTS

Statements of Cash Flows

YEAR ENDED DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998 — THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		COMBINED	
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
OPERATING ACTIVITIES								
Net earnings distributed	$ **25,932**	23,026	**3,302**	5,512	**2,979**	9,626	**32,213**	38,164
Non-cash items:								
Change in accrued amounts	**(86)**	(865)	**891**	142	**1,411**	(235)	**2,216**	(958)
Net loss on investments	**—**	1	**1,261**	767	**6,007**	139	**7,268**	907
Accretion of discounts on investments	**(26,466)**	(22,715)	**(1,161)**	(2,665)	**(360)**	(516)	**(27,987)**	(25,896)
Change in settlements and other receivables/payables	**7**	—	**(5)**	—	**(5)**	15	**(3)**	15
Cash provided by (applied to) operating activites	**(613)**	(553)	**4,288**	3,756	**10,032**	9,029	**13,707**	12,232
INVESTING ACTIVITIES								
Proceeds on investments matured or sold	**6,882,187**	5,744,418	**1,057,895**	1,328,171	**1,272,289**	705,126	**9,212,371**	7,777,715
Investments purchased	**(6,886,595)**	(5,735,950)	**(1,022,187)**	(1,299,783)	**(1,244,179)**	(741,910)	**(9,152,961)**	(7,777,643)
Cash provided by (applied to) investing activites	**(4,408)**	8,468	**35,708**	28,388	**28,110**	(36,784)	**59,410**	72
FINANCING ACTIVITIES								
Subscriptions	**1,310,934**	1,234,019	**8,017**	15,550	**28,508**	51,500	**1,347,459**	1,301,069
Redemptions	**(1,303,986)**	(1,242,708)	**(49,967)**	(47,707)	**(66,698)**	(23,333)	**(1,420,651)**	(1,313,748)
Increase (decrease) in unitholder payable/receivable	**58**	6,198	**—**	—	**—**	(348)	**58**	5,850
Cash provided by (applied to) financing activities	**7,006**	(2,491)	**(41,950)**	(32,157)	**(38,190)**	27,819	**(73,134)**	(6,829)
Increase (decrease) in cash for the year	**1,985**	5,424	**(1,954)**	(13)	**(48)**	64	**(17)**	5,475
Cash beginning of the year	**5,483**	59	**9**	22	**95**	31	**5,587**	112
Cash (bank indebtedness), end of the year	$ **7,468**	5,483	**(1,945)**	9	**47**	95	**5,570**	5,587

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

POOLED INVESTMENTS

Notes to Financial Statements

DECEMBER 31, 1999

1 Summary of Significant accounting policies

The Pooled Investment Funds are established by and operate under Section 13.1 of the Municipal Finance Authority Act (the "Act"). Three funds are maintained:

(a) Money Market Fund which commenced operations on May 1, 1989;

(b) Intermediate Fund which commenced operations on March 25, 1994; and

(c) Bond Fund which commenced operations on May 10, 1989.

These funds are authorized to issue an unlimited number of units, each of which represents an equal undivided interest in the net assets of the respective funds, pro rata, with all other units from time to time issued and outstanding. Units are issued or redeemed at $1,000 per unit.

The financial statements have been prepared by management in accordance with accounting and reporting requirements that are considered appropriate for municipalities of British Columbia and include the following accounting policies:

MONEY MARKET FUND

(a) Investments are carried at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis, which approximates market value except the investments may be marked to market value at the discretion of the Board of Trustees of the Authority should the yield on the net assets of the fund vary by more than 100 basis points from the market yield on Government of Canada 30-day treasury bills.

(b) Interest income is recognized as earned.

(c) Management fees are accrued daily at the rate of 3/20 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

(d) Net earnings from operations are distributed to unitholders daily as additional units of the fund.

INTERMEDIATE FUND / BOND FUND

(a) Investments are carried at market values which are determined as follows:
Bonds and debentures at the quoted mid-market value; and
Treasury bills, short-term notes, etc. — at amortized cost which approximates market value fo the Bond Fund; at mid-market value for Intermediate Fund.

(b) Investment transactions are accounted for on the trade date and gains / losses from such transactions are calculated on an average cost basis.

(c) Interest income is recognized as earned.

(d) Management fees are accrued weekly and at month-end at the rate of 1/5 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

(e) Net earnings from operations are distributed to unitholders weekly and at month-end as additional units of the fund.

POOLED INVESTMENTS

Money Market Fund — Schedule of Investments (Schedule 1)

DECEMBER 31, 1999 THOUSANDS OF DOLLARS

	MATURITY DATE	PAR	COST	% OF TOTAL
SHORT TERM INVESTMENTS:				
Treasury Bills				
Canada Treasury Bills	January 20, 2000	$ 43,650	43,541	
Canada Treasury Bills	February 17, 2000	27,025	26,861	
		70,675	70,402	14.9
Bankers' Acceptance				
Royal Bank of Canada	January 21, 2000	11,400	11,368	
Toronto Dominion Bank	January 28, 2000	23,500	23,412	
		34,900	34,780	7.4
Bearer Deposit Notes				
Alberta Treasury Branch	February 3, 2000	5,000	4,978	
Bank of Nova Scotia	January 25, 2000	17,100	17,042	
Canada Trust Co.	January 21, 2000	16,250	16,203	
Canada Trust Co.	January 25, 2000	3,000	2,990	
		41,350	41,213	8.7
Discount Commercial Paper				
Associates Capital	January 26, 2000	7,000	6,975	
Associates Capital	January 21, 2000	4,200	4,188	
Associates Capital	January 25, 2000	10,000	9,965	
Associates Capital	February 4, 2000	2,300	2,288	
BC Gas Inc.	January 21, 2000	9,100	9,074	
BC Gas Utility	February 1, 2000	4,900	4,878	
Credit Union Center of BC	January 28, 2000	23,500	23,410	
CU Inc.	January, 31,2000	16,350	16,281	
DaimlerChrysler Canada	January 21, 2000	7,000	6,979	
DaimlerChrysler Canada	January 24, 2000	10,000	9,966	
DaimlerChrysler Canada	February 10, 2000	6,500	6,463	
Enbridge Inc.	January 26, 2000	10,000	9,964	
Export Development Corp.	January 21, 2000	10,450	10,422	
Export Development Corp.	January 26, 2000	1,200	1,196	
Foothills Pipelines	February 22, 2000	7,750	7,692	
Foothills Pipelines	February 3, 2000	6,400	6,370	
Ford Credit Canada Ltd.	January 26, 2000	5,000	4,982	
Ford Credit Canada Ltd.	January 25, 2000	5,000	4,983	
Ford Credit Canada Ltd.	January 27, 2000	10,000	9,962	
Gaz Metropolitan	January 31, 2000	14,000	13,940	
General Electric Canada Enterprises Co.	February 7, 2000	4,000	3,979	
General Electric Capital Canada Funding Co.	January 24, 2000	5,300	5,283	
General Electric Capital Canada Funding Co.	January 26, 2000	10,000	9,964	
General Electric Capital Canada Funding Co.	February 16, 2000	4,400	4,371	
General Motors Acceptance Corp.	January 21, 2000	13,200	13,162	
George Weston	January 31, 2000	6,800	6,771	
George Weston	February 2, 2000	7,500	7,464	
Inglis Ltd.	January 24, 2000	4,400	4,385	
John Deere Credit Inc.	February 2, 2000	11,400	11,348	
John Deere Ltd.	January 18, 2000	7,000	6,982	
John Deere Ltd.	January 24, 2000	5,000	4,982	
Loblaw Companies	January 31, 2000	9,600	9,557	
Nova Scotia Power	February 2, 2000	10,000	9,954	
Toyota Credit Canada	January 25, 2000	7,000	6,975	
Toyota Credit Canada	February 16, 2000	4,900	4,868	
Trans Mountain Pipe	February 1, 2000	10,950	10,902	
Union Gas Ltd.	February 1, 2000	14,000	13,938	
Westcoast Energy	January 21, 2000	10,000	9,969	
Xerox Canada Inc.	January 26, 2000	5,000	4,982	
Xerox Canada Inc.	February 10, 2000	5,000	4,971	
		326,100	324,785	69.0
TOTAL INVESTMENTS PORTFOLIO		$473,025	471,180	100.0

POOLED INVESTMENTS

Intermediate Fund — Schedule of Investments (Schedule 2)

DECEMBER 31, 1999 THOUSANDS OF DOLLARS

	MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT TERM INVESTMENTS:				
Treasury Bills				
Canada Treasury Bills	January 6, 2000	$ 2,000	1,999	
Canada Treasury Bills	February 17, 2000	50	50	
Canada Treasury Bills	October 17, 2000	12,550	12,027	
		14,600	14,076	25.6
Bearer Deposit Notes				
Hongkong Bank of Canada	October 6, 2000	3,200	3,066	5.6
Total Short Term Investments		17,800	17,142	31.2
CANADIAN BONDS:				
Federal Bonds				
Government of Canada	December 1, 2000	37,900	37,835	68.8
TOTAL INVESTMENTS PORTFOLIO		$ 55,700	54,977	100.0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

POOLED INVESTMENTS

Bond Fund — Schedule of Investments

(Schedule 3)

DECEMBER 31, 1999

THOUSANDS OF DOLLARS

	MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT TERM INVESTMENTS:				
Treasury Bills				
Canada Treasury Bills	January 20, 2000	$ 50	50	
Canada Treasury Bills	February 17, 2000	100	99	
Canada Treasury Bills	January 13, 2000	8,070	8,056	
		8,220	8,205	6.4
Discount Commercial Paper				
Associates Capital Corp.	January 28, 2000	700	697	
Colgate-Palmolive	January 26, 2000	2,000	1,992	
		2,700	2,689	2.1
Total Short Term Investment		10,920	10,894	8.5
MEDIUM TERM NOTES:				
Bell Canada, 6.500%	May 5, 2005	1,495	1,497	1.2
CANADIAN BONDS				
Federal Bonds				
Government of Canada, 7.000%	September 1, 2001	1,150	1,195	
Government of Canada, 5.750%	June 1, 2002	7,915	7,911	
Government of Canada, 7.250%	June 1, 2003	14,385	14,924	
Government of Canada, 5.000%	September 1, 2004	9,805	9,502	
		33,255	33,532	26.3
Provincial Bonds				
Province of Alberta, 5.750%	December 1, 2004	4,110	4,015	
Province of Ontario, 8.000%	March 11, 2003	9,305	9,963	
Province of Ontario, 8.750%	April 22, 2003	2,420	2,629	
		15,835	16,607	13.0
Provincial Guaranteed Bonds				
Ontario Hydro Global, 9.000%	June 24, 2002	18,690	19,890	15.6
Corporate Bonds				
Associates Capital Corp. of Canada, 5.700%	December 3, 2001	4,670	4,639	
Associates Capital Corp. of Canada, 5.300%	May 6, 2002	2,335	2,296	
Bank of Montreal, 5.550%	August 27, 2007	3,000	2,999	
Bank of Montreal, 5.650%	December 1, 2008	3,000	2,915	
Bank of Nova Scotia, 10.350%	July 19, 2001	3,900	4,316	
Bank of Nova Scotia, 6.000%	December 4, 2006	2,100	2,100	
Canadian Imperial Bank of Commerce, 6.500%	October 21, 2009	3,430	3,447	
General Motors Acceptance Corp., 7.375%	May 25, 2001	2,000	2,049	
General Motors Acceptance Corp., 6.000%	September 16, 2002	3,000	3,011	
Molson Companies Ltd., 5.400%	May 3, 2002	1,495	1,475	
N-45 Degrees, 5.660%	October 15, 2002	3,955	3,924	
Toronto Dominion Bank, 5.650%	September 3, 2007	3,700	3,695	
York Receivables Trust II, 5.320%	October 21, 2002	5,350	5,246	
		41,935	42,112	33.1
Total Canadian Bonds		109,715	112,141	88.0
MORTGAGES				
NHA Insured Mortgages				
Penmor Mortgage #1995-OJ, 6.100%	November 1, 2003	304	296	0.2
CMHC Insured Mortgages				
Canada Life Assurance Co., 6.880%	September 1, 2004	950	946	
Penmor, 7.400%	July 15, 2002	285	285	
		1,235	1,231	1.0
Total Mortgages		1,539	1,527	1.2
CANADIAN PREFERRED STOCKS				
Perpetual				
Mackenzie Income Trust, Class A Pfd.		84	1,462	1.1
TOTAL INVESTMENTS PORTFOLIO		$123,753	127,521	100.0

POOLED INVESTMENTS

Participants 1999

REGIONAL DISTRICTS

Bulkley-Nechako
Capital
Cariboo
Central Kootenay
Central Okanagan
Columbia Shuswap
Cowichan Valley
East Kootenay
Fraser-Fort George
Kitimat-Stikine
Kootenay Boundary
Mount Waddington
Nanaimo
North Okanagan
Northern Rockies
Okanagan-Similkameen
Peace River
Powell River
Skeena-Queen Charlotte
Squamish-Lillooet
Sunshine Coast
Thompson-Nicola

MUNICIPALITIES

Anmore
Armstrong
Ashcroft
Belcarra
Burns Lake
Cache Creek
Campbell River
Castlegar
Central Saanich
Chase
Chilliwack
Clinton
Coldstream
Colwood
Comox
Coquitlam
Courtenay
Creston
Cumberland
Duncan
Enderby
Esquimalt
Fort St. John
Gibsons
Golden
Gold River
Granisle
Greenwood
Harrison Hot Springs
Highlands
Hope
Houston
Invermere
Kaslo
Kelowna
Kent
Keremeos
Kimberley
Kitimat
Ladysmith
Lake Country
Lake Cowichan
Langford
Lillooet
Lumby
Mackenzie
Maple Ridge
McBride
Merritt
Metchosin
Midway
Mission
Montrose
Nakusp
Nanaimo
Nelson
New Denver
New Hazelton
New Westminster
North Cowichan
North Saanich
North Vancouver
Oak Bay
Oliver
100 Mile House
Parksville
Peachland
Pemberton
Pitt Meadows
Port Alberni
Port Alice
Port Coquitlam
Port Edward
Port Hardy
Port McNeil
Port Moody
Pouce Coupe
Powell River
Prince George
Prince Rupert
Princeton
Qualicum Beach
Quesnel
Radium Hot Springs
Revelstoke
Richmond
Rossland
Saanich
Salmon Arm
Sayward
Sechelt
Sicamous
Sidney
Silverton
Slocan
Smithers
Sparwood
Stewart
Summerland
Surrey
Tahsis
Telkwa
Terrace
Trail
Tumbler Ridge
Ucluelet
Valemount
Vernon
Victoria
West Vancouver
Whistler
White Rock
Zeballos

FIRST NATIONS FINANCE AUTHORITY

Adams Lake Indian Band
Chawathil Indian Band
Ch-ihl-kway-uhk Tribe Society
Kamloops Indian Band
Millbrook First Nation
Namgis First Nation
Old Massett Village Council
Seabird Island Indian Band
Sliammon Taxation Authority
Songhees Indian Band
Sto Lo Nation Investment
Tsawwassen First Nation
Tzeachten Band Taxation
Westbank First Nation
Westbank First Nation Taxation

SCHOOL DISTRICTS / COLLEGES / UNIVERSITIES

#45 West Vancouver
#50 Queen Charlotte
College of the Rockies
University of Northern British

HOSPITALS / REGIONAL HOSPITAL DISTRICTS

Alberni-Clayoquot
Capital
Cariboo
Chase Diagnostic and Treatment Centre
Chemainus Health Care Centre
Children's and Woman's Health Care Centre
Delta Centennial Hospital Society
Fraser-Fort George
Kelowna General Hospital
Kootenay East
Lillooet District Hospital Society
Mater Misericordiae Health Care Facility
Nanaimo
North Okanagan Health Region-
Shuswap Health Services
Peace Lutheran Care Centre
Peace River
Sparwood General Hospital Society
Stuart-Nechako
Sunshine Coast
Terrace and Area Health Council
Vernon Jubilee Hospital Society

OTHERS

Association of Kootenay and
Boundary Municipalities
Association of Yukon Communities
Barriere Community Water System
Barriere Improvement District
Carmacks
Columbia Basin Trust
Fraser Basin Council Society
Hedley Improvement District
Mt. Parke Estates Improvement District
Municipal Commercial Vehicle Licence
Municipal Finance Authority
Municipal Insurance Association
Municipal Officers' Association
Naramata Water System
North Central Municipal Association
North Peace Airport Society
Port Alberni Harbour Commission
South East Kelowna Irrigation District
Union of B.C. Municipalities
Vancouver Island Municipal Association
Vancouver Island Regional Library
Westbank Irrigation

INTERIM FINANCING

Auditors' Report 1999

TO THE MEMBERS OF THE MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

We have audited the balance sheet of the Interim Financing Funds of the Municipal Finance Authority of British Columbia (the "Authority") as at December 31, 1999, and the statements of revenue, expenditure and surplus and cash flows of the Funds for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Interim Financing Funds of the Authority as at December 31, 1999, and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Municipal Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
January 31, 2000

INTERIM FINANCING

Balance Sheet

DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998 — THOUSANDS OF DOLLARS

	1999	1998
ASSETS		
Cash	$ 131	40
Loans receivable — including accrued interest (Note 2)	129,680	71,481
Unamortized contractor costs (Note 5)	170	56
Total assets	$ 129,981	71,577
LIABILITIES AND SURPLUS		
Bank loan payable — including accrued interest (Note 3)	$ 129,663	71,461
Management fees payable	100	40
Due to Operating Fund	93	29
Total liabilities	129,856	71,530
Surplus, per accompanying statement	125	47
Total liabilities and surplus	$ 129,981	71,577

Statement of Revenue, Expenditure and Surplus

YEAR ENDED DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998 — THOUSANDS OF DOLLARS

	1999	1998
REVENUE		
Interest	$ 5,778	3,344
EXPENDITURE		
Interest	5,584	3,208
Management fees (Note 4)	60	80
Amortization of contractor costs	24	7
Office	21	24
Bank Charges	11	7
Total expenditure	5,700	3,326
Excess of revenue over expenditure for the year	78	18
Prior year's surplus appropriated	47	29
Surplus at the end of the year (Note 1)	$ 125	47

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SECRETARY-TREASURER

INTERIM FINANCING

Statement of Cash Flows

YEAR ENDED DECEMBER 31, 1999 — WITH COMPARATIVE FIGURES FOR 1998 — THOUSANDS OF DOLLARS

	1999	1998
OPERATING ACTIVITIES		
Excess of revenue over expenditure for the year	$ 78	18
Add non-cash item:		
Amortization of contractor costs	24	7
Contractor costs paid	(138)	(63)
Change in management fees payable	60	40
Cash provided by operating activities	24	2
FINANCING ACTIVITIES		
Increase in bank loan	58,202	19,033
Loans repaid	124,611	54,180
New loans issued	(182,810)	(73,222)
Loans from Operating Fund	64	29
Cash provided by financing activities	67	20
Increase in cash	91	22
Cash, beginning of the year	40	18
Cash, end of the year	$ 131	40

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

INTERIM FINANCING

Notes to Financial Statements

DECEMBER 31, 1999

1 Summary of Significant Accounting Policies

The interim financing program was established in 1990 and operates under Section 9.1 of the Municipal Finance Authority Act (the "Act"). In 1992, the Act was amended to extend the interim financing program to other public institutions (as defined) in the Province of British Columbia.

SHORT TERM DEBT FUND

This program provides a revolving credit facility for tax revenue, interim funding requirements and temporary financing of capital projects.

POOLED LEASING FUND

This program provides a revolving credit facility for funding the short term leasing of capital assets.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following accounting policies:

(a) Interest income is recognized as earned;

(b) Interest payable is accrued on a daily basis; and

(c) Under the Act, the Authority may appropriate the prior year's surplus for current operations. It is the Authority's policy to annually appropriate all prior year's surpluses. Under the Authority's policy, 25% of the surplus in the Leasing Fund is retained by the Leasing Fund to cover any timing differences between receivables collected, which are budgeted upon the interest rate in effect at the signing of the lease agreement, and the interest payable to the bank based on a floating rate basis. In order to protect the Authority from interest rate exposure, all lessees are to settle any surplus or deficiency on payments made to the Authority over the life of the lease at the final lease payment.

2 Loans receivable

The loans receivable relate to loans for the following purposes:

	1999	1998
		THOUSANDS OF DOLLARS
SHORT TERM DEBT FUND		
Temporary financing, including capital projects	$ 74,313	38,676
Short term capital borrowing up to five years	22,811	9,493
	97,124	48,169
POOLED LEASING FUND		
Short term leases of capital equipment	32,556	23,312
COMBINED TOTAL	$ 129,680	71,481

3 Bank Loan Payable

The Authority has an agreement under which the bank provides a revolving credit facility for the short term debt and leasing requirements subject to repayment within 30 days following demand by the bank.

	1999	1998
		THOUSANDS OF DOLLARS
SHORT TERM DEBT FUND		
Funding for revenue anticipation (tax revenue), interim funding funding requirements and temporary funding of capital	$ 97,111	48,151
POOLED LEASING FUND		
Funding the leasing of capital assets	32,552	23,310
COMBINED TOTAL	$ 129,663	71,461

4 Management Fees

The management fees are paid to the Operating Fund of the Municipal Finance Authority of British Columbia.

5 Unamortized Contractor Costs

Under the leasing program the Authority incurs up front fees payable to On-Line Finance, (the contractor), of 25 basis points (.25 of 1%) of the present value of the future lease payments due. This fee is payable at the time the lease is signed. This present value amount is then amortized over the life of the lease. The balance sheet item is the accumulation of the present value of those amounts paid less what has been amortized to date. In the event of an early payout by the lessee, the appropriate amount of the fee is refunded by the contractor to the Authority. A portion of this up-front fee has been funded through a loan from the Operating Fund.

6 Supplemental cash flow information

During the year the Authority received interest payments of $1,483,678 (1998 — $1,157,931) on lease receivables and $3,854,376 (1998 — $2,037,907) on temporary financing/short term capital loans receivable.

During the year the Authority made interest payments of $5,143,777 (1998 — $3,083,154) on its bank loan

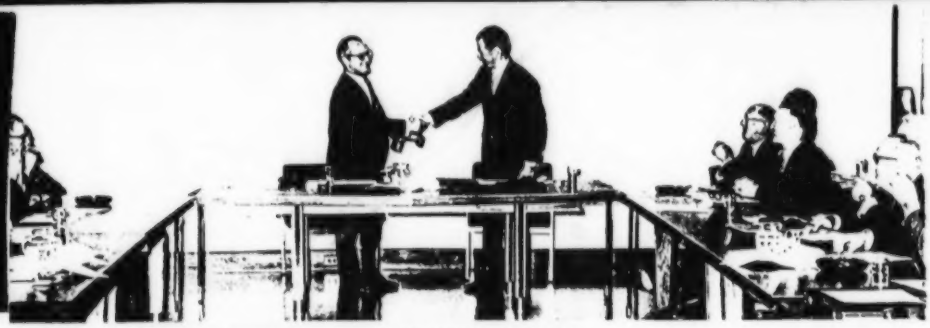
7 Comparative figures

Certain 1998 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

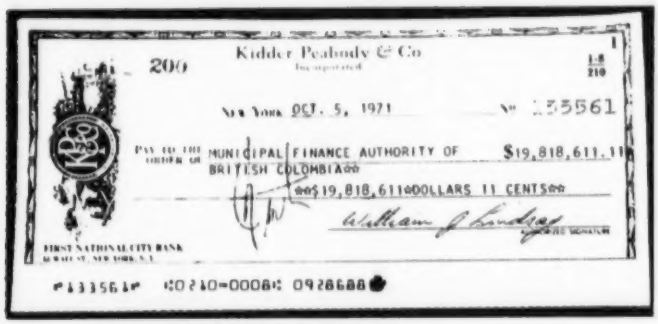
HONOURABLE DAN CAMPBELL
Minister of Municipal Affairs

Dan Campbell was Minister of Municipal Affairs for the Province of British Columbia during the critical years 1964 to 1972. During this period Regional Districts, Regional Hospital Districts, Instant Towns and the Municipal Finance Authority of British Columbia were all created through a series of legislative actions that put British Columbia in the forefront of Canadian local government.

Inaugural Meeting of the MFA April 22, 1970



STANDING: DAN CAMPBELL, MUNICIPAL AFFAIRS; CHAIR HUGH CURTIS, MFA



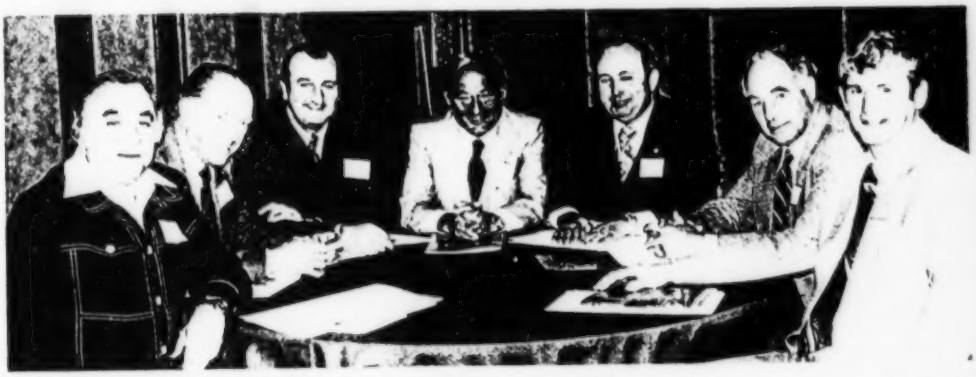
SIGNING THE FIRST ISSUE, OCTOBER 1971
SITTING: BILL LONG, ALBERT GORDON AND CHAIR RON ANDREWS
STANDING: INVESTMENT LAWYERS AND BANKERS

ISSUE #12 SIGNING JANUARY 1975
STANDING: BERNIE SPEREMAN, NICK COOLIDGE
SITTING: FRANK WEST, CHAIR RON ANDREWS, BILL LONG

FIRST EURO-CANADIAN ISSUE IN THE HISTORY OF THE EURO-BOND MARKET. ISSUE #15, 1975
CHAIR RON ANDREWS, FRANK WEST, J.M. LEVESQUE, JACQUES MIGNON

JIM STUART IN PRESS SCRUM 1979

ANNUAL MEETING 1979. SITTING: PAUL SMITH
STANDING: DAVE WILSON, CHAIR JIM STUART, PETER LESTER



ANNUAL MEETING 1979
PETER LESTER, JIM CAMPBELL,
CHARLES LASSER, MUNI EVERS,
CHAIR JIM STUART,
PAUL SMITH, BILL VOGEL

BELOW: SIGNING ISSUE #24, MAY 1979
LEFT TO RIGHT: MARTY HICKS, AMES & COMPANY;
MUNI EVERS, CHAIR JIM STUART, DAVE WILSON

RIGHT: CHAIR JIM STUART,
GERARD ENGEL, M. ROCQUEFEUIL
ISSUE #24, 1979

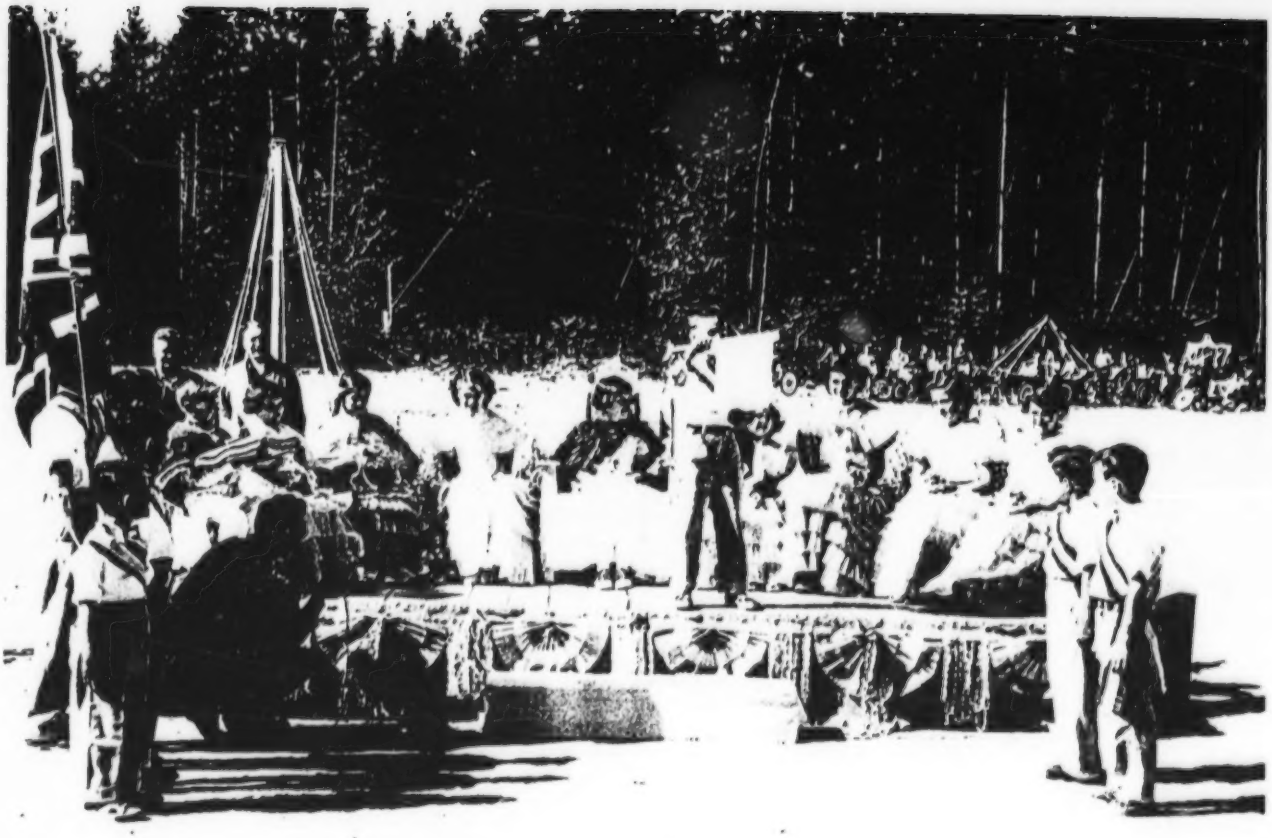
1980 ANNUAL MEETING
TOP PHOTO: MUNI EVERS, CHAIR JIM STUART, DON ROSS, JIM CAMPBELL
BOTTOM PHOTO: ROSS MARKS, JIM STUART, PETER LESTER, DAN CUMMING

YVONNE MEECHAN
EXECUTIVE SECRETARY, MFA
1971 - 1998

Issue #27
May 30, 1980
$62,705,000

SIGNING ISSUE #27, MAY 30, 1980
LEFT: HUGH CURTIS, CHAIR JIM STUART

J.H. (JIM) STUART ALDERMAN AND LATER MAYOR OF KELOWNA WAS CHAIRMAN OF THE MFA FROM 1977 TO 1989. HERE HE IS COMPARING NOTES WITH HUGH CURTIS.



1954 JIM CRAVEN READING THE MAY DAY PROCLAMATION AT POWELL RIVER

Lieutenant-Governor's Award for Excellence in the Public Service

On July 22, at Government House in Victoria, Jim Craven was awarded the 1999 Lieutenant-Governor's Award for Excellence in the Public Service. The guidelines for this award state that the winner should be well-respected and easily identified as an exceptional candidate. The committee would pay close attention to the candidate's accomplishments, expertise, ability, integrity, innovativeness, leadership, management effectiveness, personal management style and reputation.

RIGHT: JIM TEACHING HIS GRANDSON HOW TO USE THE MIKE

JIM CRAVEN, EXECUTIVE DIRECTOR, MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA, BEING AWARDED THE LIEUTENANT-GOVERNOR'S SILVER MEDAL FOR EXCELLENCE IN THE PUBLIC SECTOR FROM LIEUTENANT-GOVERNOR GARDE GARDOM / JULY 22, 1999

JIM CRAVEN; BOB METCALFE, GREATER VANCOUVER REGIONAL DISTRICT; JOHN RANTA, MAYOR CACHE CREEK; JOHN LES, MAYOR CHILLIWACK; CHRIS HOLMES, FARRIS, VAUGHAN, WILLS & MURPHY

JIM CRAVEN, MFA; BARRY ADAMS, KPMG; WILLIAM JORDAN, CAPITAL REGIONAL DISTRICT

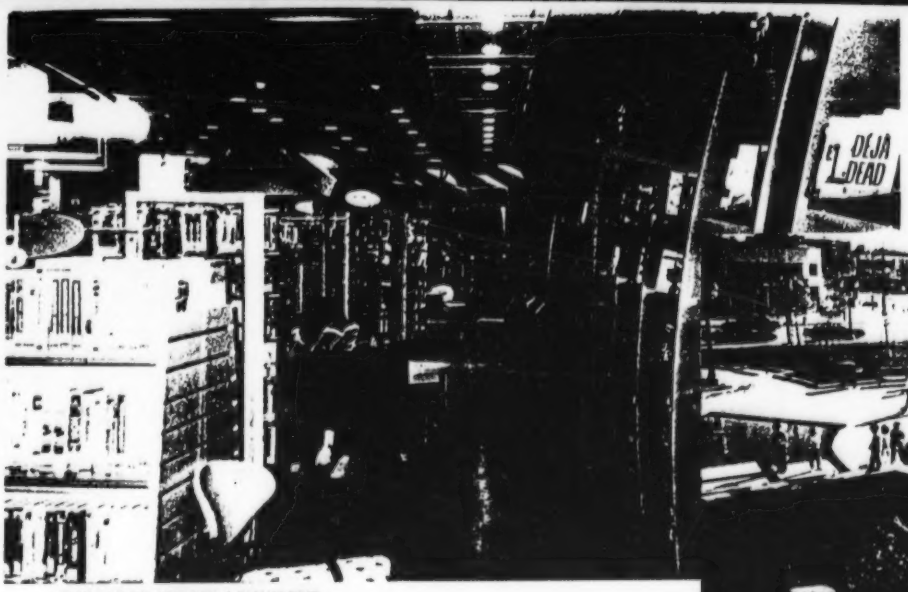
MURRAY COELL, MLA; JOHN RANTA, MAYOR CACHE CREEK; RICHARD TAYLOR, UNION OF BC MUNICIPALITIES; JOHN LES, MAYOR CHILLIWACK; CORISANDE PERCIVAL-SMITH, RICHMOND COUNCILLOR; LARRY BLAIN, RBC DOMINION SECURITIES

Presentations
to Jim Craven
Union Club
Victoria, BC

PRESENTATION OF BOB KREIGER CARICATURE TO JIM BY CHAIR LEN TRABOULAY AND HIS WIFE JOANNE TRABOULAY

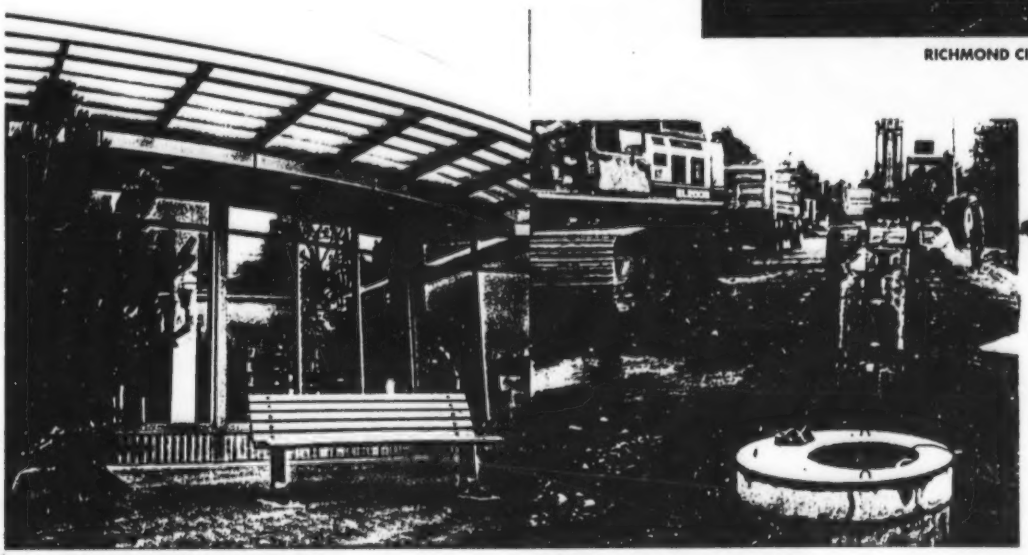
DEANNA HAMILTON, FIRST NATIONS FINANCE AUTHORITY PRESENTS ARGILLITE CARVING TO JIM

JIM'S CLOSE FAMILY AT THE AWARDS



IRONWOOD LIBRARY / RICHMOND

RICHMOND CIVIC SQUARE / RICHMOND

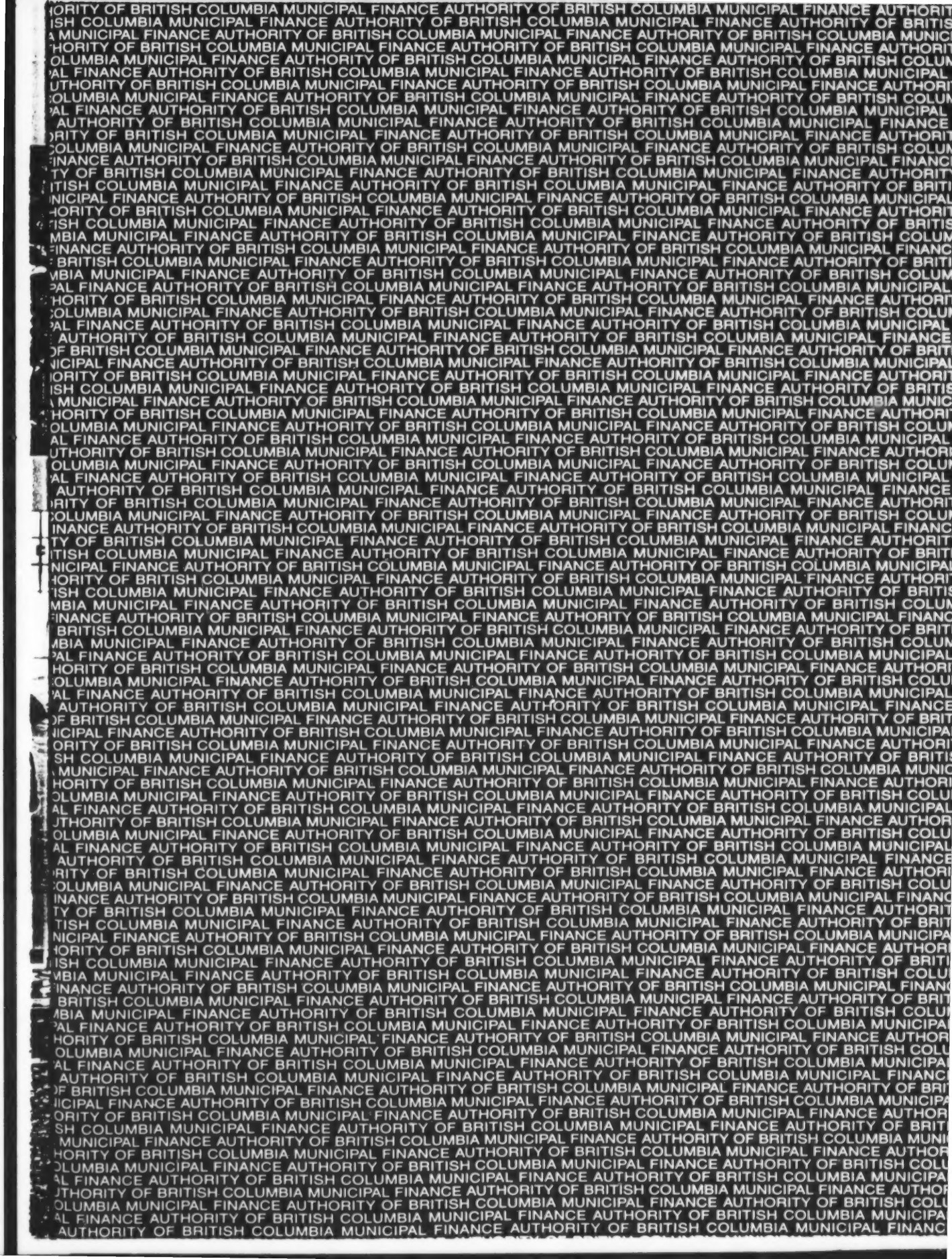


WILLIAMS LAKE BRANCH LIBRARY /
CARIBOO REGIONAL DISTRICT

FAIRFIELD ISLAND SEWER PROJECT /
CHILLIWACK

RIGHT & BELOW
AQUATIC AND LEISURE CENTRE / TRAIL

PARKGATE COMMUNITY CENTRE / NORTH VANCOUVER


MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA